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1934-1990

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*Jeffrey Friedman*

# METHODOLOGICAL VS. NORMATIVE INDIVIDUALISM

Two very different topics are grouped under this issue's rubric of individualism. The first is the validity, nature and scope of methodological individualism, in which the individual is central to social analysis. The second is political individualism, particularly in its neoliberal manifestation as a doctrine of individual rights—above all, property rights. Is there any legitimate connection between these two kinds of individualism? It would seem that many people think so, since so many methodological individualists are also political individualists, and vice versa. (Of course, it could be that both kinds of individualism simply happen, for independent reasons, to be right.)

Although any valid connection between social methodology and political norms would seem impossible—a violation of the fact/value distinction—Elias Khalil shows how Marx, for one, moved from normative concerns to methodological conclusions. Following the mainstream of Western thought, Marx assumed that the central normative problem is to allow us to rise above our selfishness in order to achieve the common good. But he was also a libertarian: he sought individual freedom from coercion. So, following Rousseau, he argued that selfishness, far from being our natural state, is an artificial social accretion. The human essence is to know and to do the good; there is no natural conflict between individuals that would require a coercive solution, though there is much conflict (and coercion) in particular forms of society. Marx then created a theory of the functioning of actual economies by fusing this precept with classical economics by way of Hegelianism. Reflecting the human moral essence, pre- and post-capitalist economies had to operate as if



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society were a single, unconflicted agent. Collective economic planning is not only possible, but is more congruent with the human essence than is the market. As for that market, the linchpin of Marx's analysis is not the economic interaction of individuals as much as it is the indirect governance of their interaction by the collective essence, in the form of the law of value. Under capitalism, that law is hidden by commodity fetishism; under socialism, it will again be visible, and individuals will act freely and in concert according to it. Thus did Marx's normative individualism lead him to employ a methodological collectivism.

Classical liberals, by contrast, tend to move in the other direction—from methodology to politics—if the normative papers in this issue are any indication. Jeremy Shearmur, for instance, attempts to deduce individual property rights from the role each individual may play in advancing our moral knowledge, in a deliberate parallel to the Austrian economists' methodologically individualistic elucidation of the knowledge-eliciting function of markets. Frank Michelman rather convincingly rebuts this attempt to reformulate the normative foundations of classical liberal egalitarianism, although Shearmur's rejoinder, which argues from the value of a diversity of cultures rather than from an epistemology of norms, opens an intriguing new avenue of inquiry.

A different move from methodological to normative individualism is attempted by Loren Lomasky, who builds his answer to Joseph Raz's autonomism on a reduction of all values to individual preferences, which he thinks allows him to call the imposition of any one value (or value hierarchy), including autonomy, on people who disagree with it a case of "the conscription of some people into the projects of others." This raises the question of how the classical liberal can presume to impose, say, the value of respect for human life upon would-be murderers, and it does indeed beg the question for Lomasky to reply that murderers, after all, are *rights-violators.* For what is in question is the basis of such rights. There is no way around the conclusion that such a basis cannot lie in value-neutralism. In fact, it appears that attempts to derive individual rights in such a way conflate neutrality between *values* and neutrality between *persons.* The two are incompatible, since the latter must itself be based on some value (one candidate, of course, being autonomy).

How could such a confusion arise? It is often the result of a thought Lomasky expresses in a different context: "There are not goods for tribes or nations or races over and above the persons who comprise the collectivity." This idea can be used to direct the methodologically individualistic critique of holism—i.e., of the reification of collective understandings of human society (a critique elaborated by Madison)—against moral

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"absolutism." The problem with this is that recognizing individuals as the indispensable loci of collectivities says nothing about the relative merit of the values held by various individuals. No individual—certainly no moral theorist—can escape the fact that he or she necessarily believes in some values or others. Therefore, neutrality among all values on the part of any individual, including any moral theorist, is simply untenable. (Here I engage in my own move from methodology to norms, paralleling Hayek's argument—in "The Facts of the Social Sciences" in his *Individualism and Economic Order*—that some social theory [in contrast to bald empiricism], and in fact some theory that contains an interpretive individualism [in contrast to gross behaviorism], is inevitable. But the inevitability of norms, the impossibility of ethical neutralism, is an argument modelled upon Hayek's formal case for the inevitability of (individualistic) social theory and the impossibility of theoretical relativism; it is not an illegitimate importation of the *content* of a particular variant of interpretive social theory [e.g., methodological individualism] into ethical theory.)

Methodological individualism is, of course, most self-consciously employed by economists, so it is to its nature and role in economics that the papers by Boettke, Kirzner, Johnson and Smith are devoted. They suggest that properly understood, such individualism is not atomistic; it does not require positing an individual abstracted from society or free from its many influences, nor one whose logic is impeccable and whose knowledge is perfect. But there are still unanswered questions about this sophisticated methodological individualism.

That methodological individualism need not conceive of individuals as perfectly knowledgeable in order for them to remain instrumentally rational, purposeful agents, and that such individualism can account for the emergence of social institutions from the purposeful, intersubjective interaction of individuals may show, as Boettke contends, that methodological individualism per se should not be the target of those critics of mainstream economics who deplore its abstraction from reality. But Boettke virtually ignores the other institutionalist criticism of methodological individualism, namely that it must deny the influence of society on individual values. Is it not the case that the economist simply assumes that a bourgeois society of self-interested materialists is the natural state of humanity, rather than being, as Rousseau and Marx saw, culturally contingent? For instance, Israel Kirzner claims that the "rationality" assumption relied upon by economists has no other content than purposefulness, and that the purposes individuals are assumed to pursue can as easily be altruistic or spiritual as selfish or materialistic. Yet he argues that methodological individualism, using the rationality assumption, provides

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"a satisfying explanation of why and how markets work"; surely the existence of markets itself assumes, in common with the homo œconomicus Kirzner eschews, that individual interests are at the very least diverse. Does this not confirm the suspicion that methodological individualism illicitly assumes that human beings are in conflict, which may only contingently be the case?

Perhaps not, if Kirzner is read as follows. We are entitled to assume that all individuals are rational in the general sense of being purposeful. The existence of a market—as opposed to a set of gift exchanges that overcome diversity in raw materials and individual productive talents—*demonstrates* (rather than assuming) that moreover, regardless of their degree of altruism, individuals in the society in question have competing visions of how to achieve the good. Further historical evidence may be adduced to show, in a given historical era, that individuals are to an even greater degree similar to homo œconomicus. This is the task undertaken by Martin Ricketts's application of the new institutionalist economics to the structure of universities. While Ricketts's paper is superficially oblivious to the historical evolution of universities, which, after all, certainly involved more than pecuniary motives, a careful reading of Ricketts reveals that he is interested in *testing* one hypothetical variety of the rational action of socialized individuals pursuing a culturally influenced goal—pecuniary maximization—and that he recognizes that historical investigation would have to be undertaken in order fully to explore the applicability of that hypothesis.

Under the view outlined here, there is no reason for methodological individualists to deny the influence of society on individuals. For properly conceived methodological individualism reserves no special place for the market, which is seen as resulting from a great variety of specific institutional combinations reflecting particular manifestations of individual purposefulness. The *source* of the values the individuals pursue is irrelevant to the analysis of how this purposefulness plays itself out in a given instance. It is almost certain that the specific versions of individual rationality observed in market societies are the products of contingent institutional and cultural circumstances, as Hayek often notes; this makes the economic versions of methodological individualism less than universally applicable. Yet the pervasiveness of those circumstances, and the likelihood that they will grow even more dominant, make the field in which economics *is* applicable very wide indeed. It may even be applicable in areas like the family, as proposed by Gary Becker; but in this case, like any other, the applicability of material self-interest as the content of individuals' ends is hypothetical only. (Under this interpretation, how-

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ever, the two types of replies to the critics of economics distinguished by Kirzner are *both* correct.)

On the other hand, the social sources of individual values are hardly unimportant. They may not affect the substance of economics, but they *are* the substance of sociology. Liberal—methodologically individualistic—sociology has no compunctions about exploring the extent to which, for example, market societies *engender,* rather than simply reflect, the values of homo œconomicus. It can address the question of whether the *actual* extension of self-interested materialism into such areas as the family is a result of our acculturation to market institutions or, alternatively, of the spread of the culture and cult of individualism, without succumbing to the illusion that all purposeful action on the part of individuals must necessarily reflect the norms of economic man.

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*Peter J. Boettke*

# INDIVIDUALS AND INSTITUTIONS

ECONOMICS AND INSTITUTIONS: A MANIFESTO FOR MODERN INSTITUTIONAL ECONOMICS

by Geoffrey Hodgson

*Philadelphia: University of Pennsylvania Press, 1988. 365pp., $39.95*

*Traditional institutional economics argued that the methodological individualism of both classical and neoclassical economics was grounded in a false conception of human nature and a pre-scientific understanding of economic life. Geoffrey Hodgson has provided a restatement of this position and extended the institutionalist critique to modern developments within economics at both a positive and normative level. In the course of doing so, Hodgson both draws on and differs from developments within modern Austrian economics. It is argued that Hodgson misunderstands key aspects of the Austrian project and as a result his indiscriminate criticisms of methodological individualism and classical liberalism are not convincing.*

Nineteenth-century social theorists from Marx to Durkheim to Freud sought to rid the social sciences of any reliance on the *abstract individual* as a building block for social explanations. This critique of Robinson Crusoe stories of social phenomena translated into a fundamental criticism of classical political economy. Classical political economy, according to its critics, was grounded in an immature and hedonistic view of human

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nature and a pre-scientific understanding of the world. It relied on a vision of market society akin to that of celestial mechanics. God, the great clockmaker of the universe, would assure social harmony through his guiding (though invisible) hand. Man's conscious intervention was not necessary to produce a beneficial social order. The political philosophy of classical liberalism, the critics argued, was founded on this faulty image of the world.

Both Marxists and the German Historical School criticized classical economics along these lines, and in America at the turn of the century the institutionalist school of economics extended the criticism to the new (neoclassical) economics that emerged from the marginalist revolution.[1] Veblen's critique of the "lightning calculator" conception of man contained within the new marginalist economics—the legacy, he maintained, of a pre-Darwinian, Newtonian worldview, held over from classical economics—suggested that a radical alternative to mainstream economics was forthcoming. Veblen proposed that economics should be an evolutionary science of cultural growth and change and not a mechanistic science concerned with static states. What served as the foundation of this theory of process and an unfolding social sequence was the changing human agent. Not an abstract individual, but a socially constituted being, would be the focus of attention for any satisfactory theory of social processes. Veblen stated this concisely in an essay of 1898:

> It is in the human material that the continuity of development is to be looked for; and it is here, therefore, that the motor forces of the process of economic development must be studied, if they are to be studied in action at all. Economic action must be the subject-matter of the science if the science is to fall into line as an evolutionary science.[2]

This project of Veblen and his followers, unfortunately, was soon sidetracked. In their drive to be scientific, the institutionalist writers, like their neoclassical counterparts, lost sight of the nature of the object (the changing human agent) they were investigating. Because of the unwarranted intrusion of scientistic philosophy, the institutionalist project faltered in achieving its stated aim of providing a theory of social and economic processes.

The ultimate form of scientism, of course, was behaviorism, in which man is taken to react solely to physical stimuli. While at the University of Chicago, Veblen became enamored with the psychological theory of behaviorism and imported its teachings into economics. One of the great ironies in the history of economic ideas, in fact, is that thereafter, the

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institutionalist project of developing a theory of social processes that took into account the changing human agent was most consistently pursued by that tendency of thought usually seen as the antithesis of institutionalism: the Austrian school of economics.[3] As David Seckler put it:

> At roughly the same time as Veblen was labouring to create a behavioristic solution to certain cardinal questions of social philosophy, [C]arl Menger was labouring to create an essentially humanistic solution to these questions. Thus, by following out the Menger tradition of radical individualism, one can obtain a better grasp of what Veblen himself—in his humanistic inclinations—was trying to achieve. Veblen was driven to behaviorism because he felt that humanism could not adequately address certain cardinal questions of social philosophy. Menger and his followers tried to solve these same questions, within the context of humanism.[4]

## *Hodgson's New Institutionalism*

Geoffrey Hodgson's *Economics and Institutions* is an attempted reconstruction of the old institutional economics in a manner which eliminates scientism and places institutionalism within the broader humanistic tradition. Hodgson is cognizant of developments within Austrian economics and the "new" institutional economics that have tried to formulate a theory of social and economic processes, and his effort can be seen as an attempt to integrate the pre-scientistic institutionalism of the late nineteenth century and the post-positivistic Austrian economics of the twentieth.[5] In his criticism of more orthodox economic currents, such as the Chicago, rational expectations, and neo-Keynesian schools, Hodgson relies on much of the argument developed by Austrian economists. Although it means passing over most of Hodgson's stimulating work, this essay will focus on the relationship between Hodgson's institutionalism and the Austrian tradition with which he grapples.[6]

Alongside a detailed discussion of the philosophy of science literature which has undermined the hegemony of the positivistic model (27–50), Hodgson employs the shared criticisms of mainstream economics that have come forth from Post Keynesians, institutionalists, behavioral economists, and radical subjectivists (Austrians).[7] The upshot is that positivist philosophy is dead and standard economics is unrealistic, static, ahistorical, and irrelevant.

In addition, Hodgson argues that in substituting mechanistic models for more humanistic methods to explain social phenomena, the economic

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scientism of the mainstream adopted a conservative political bias. Here he echoes the old institutionalist argument that classical liberalism is grounded in a faulty conception of humanity and society.[8] The atomistic and abstract individual of mainstream economics, Hodgson complains, translates into a mechanistic (equilibrium) view of the market which, in turn, generates classical liberal policy conclusions.

On the other hand, Hodgson wants to steer away from the opposite extreme, structural determinism, in which individuals are seen as being totally at the mercy of social forces. Marxism, for example, views the market as a completely alienating process going on behind the backs of the participants and, therefore, demands the abolition of the market society.[9] Hodgson negotiates between these extremes by way of the notion of "systems impurity." All systems, be they systems of thought or social structures, contain impurities.

At the foundation level we must avoid the trap of either voluntaristic individualism or structural determinism. The market is neither a mechanical adjunct of a socially optimal and harmonious process, nor is it immune to the demands of the individual. And while the complete abolition of the market and its replacement by central planning is impossible, the laissez-faire alternative is incoherent in theory and undesirable in practice. Truth, Hodgson argues, lies in the rational middle ground on all of these questions.

Thus, although Hodgson concurs with Austrian-school, and particularly Hayekian, criticisms of mainstream economics, he views the free-market conclusions most Austrians reach as inconsistent with those criticisms, the product of dogmatic adherence to classical liberalism. Their adherence to methodological individualism, according to Hodgson, prevents Austrian scholars from recognizing the impure nature of socially mediated reality. Here they simply fail to see how viewing individuals as socially isolated atoms leads to the very scientism they so cogently criticize in positivist economics. This blindness is due to the fact that abandoning atomistic individualism would also force Austrians to give up the laissez-faire political economy they share with the economic mainstream.[10]

Anyone familiar with Austrian economics will recognize a series of errors in this chain of reasoning. The key mistake is a misunderstanding of the difference between mainstream and Austrian methodological individualism; this leads to the unwarranted claim that the Austrian view of society is forced into a solipsistic corner because of its ultra-subjectivism. But since Hodgson believes that the ideas about the individual and society that he mistakenly attributes to all non-radical, non-institutionalist eco-

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nomics, are the result, rather than the cause of their policy views, let us begin with these views and work our way backward to the nature of social interaction.

### *Are All Economists Free-Marketeers?*

What unites all methodological individualists, Hodgson claims—and presumably what pushes the Austrians into unwitting alliance with their putative methodological opponents, the positivist economists—is a common commitment to ethical and political individualism. The central argument of Hodgson's book "is that conventional theory is guided by an outdated and theoretically unacceptable view of the individual which has been inherited from the classical liberalism of the nineteenth century" (xvi).

Surely the claim that the economic mainstream is biased toward classical liberalism stretches credulity.[11] Hodgson may be unhappy with most of his colleagues for not being radical enough, but he is too good a scholar to proclaim myopically that everyone to the right of his preferred position is a New Right "reactionary." The fact is that the welfare state has the full support of most economists; with the exception of members of the Chicago school, it is safe to say that most methodologically individualistic mainstream economists are enthusiastic supporters of a wide array of government intervention.

In fact, Oskar Lange's rebuttal to Mises's thesis about the impossibility of economic calculation under socialism was based on the neoclassical economics of atomized, passive and static individuals whose preferences could be easily discerned by central planners with sufficiently powerful computers.[12] And Abba Lerner's *Economics of Control* reiterated much of the Langian neoclassical answer to the Austrians while providing a blueprint for various state interventions.[13] Moreover, even such a prominent Austrian economist as Friedrich von Wieser did not find methodological individualism incompatible with socialism.

While it does not, in logic or in fact, necessarily lead to laissez-faire, methodological individualism does allow the development of *spontaneous-order analysis* of the sort conducted by Bernard Mandeville and Adam Smith. If individuals can be understood as purposeful actors whose interaction gives rise to unplanned social institutions, then the mystery of how Paris is fed, the conundrum of how so much socially beneficial activity occurs in a market economy devoid of central direction, can be unravelled. There is no doubt that engaging in this kind of investigation

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sensitizes economists to the virtues of the market and the dangers of interfering with it. But this means not that classical liberal policy preferences are driving methodological individualism, but that methodologically individualistic economics can lead to laissez-faire recommendations. To claim, as Hodgson does, that the causal sequence is reversed requires a blindness to the technocratic interventionism of most economists which suggests that it is Hodgson himself who is ideologically motivated.

### *Is the Austrian View of Society Solipsistic?*

A similarly skewed reading of economic theory informs Hodgson's claim that Austrian economists ignore the role of social institutions. In Hodgson's view, the Austrians are guilty of an ultra-subjectivism which sees social wholes as merely constructions of our individual imaginations. Culture and other collective entities, according to this reading, cannot have any influence on the individual. Austrian economists, despite some promising insights, ultimately view individuals as isolated and abstracted from their social environment. Preferences and tastes are treated as givens and the analysis of the formation of preferences or expectations is ignored. To the Austrians, Hodgson writes, individuals "are regarded as if they are born with a fixed personality; they are not constituted through social processes" (138). Extreme subjectivism, Hodgson argues, translates into an economistic nihilism with regard to rational discourse concerning social goals and needs (246).

Thus, while "applauding the Austrian emphasis on information problems, and their recognition that information and knowledge cannot be readily and totally transferred from one individual to another," Hodgson insists that "it is necessary to differ from the ultra-subjectivism of their theoretical interpretation and thereby some of their policy conclusions." The ultra-subjectivist development of economics along Austrian lines, Hodgson states, "offers a blind alley" (7–8). The Austrians fail to appreciate that the "mechanisms of our perception and acquisition of knowledge are unavoidably social and unavoidably reflect social culture and practices" (7). Therefore, despite the Austrians' admirable recognition that information is not perfectly accessible, their view of society is as flawed as the mechanistic view held by the mainstream, and as equally a logical and undesirable consequence of the dogmatic adherence to atomistic individualism that classical liberal social philosophy demands.

Institutions play far too great a part in both Mises's and Hayek's analysis of social cooperation, though, for a scholar to write regarding his own perspective that "in recognizing the informational function of insti-

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tutions we are breaking from a purely subjectivist perspective" and that this somehow represents an approach "radically different from . . . Austrian theory" (133). There is, to the contrary, nothing clearer in the writings of the Austrians than that their emphasis is precisely on the informational function of various social institutions, from money to prices to language to law.

Carl Menger's classic analysis of the origin of money as the outcome of an evolutionary social process of learning and discovery and Hayek's work on the discovery role of competition, not only in the market, but in law and history as well, testifies to the central role institutions play within the social economics of the Austrians.[14] The core concept of the work of Mises and Hayek, for example, is to explain the origin and working of the institutional order of economic cooperation based on the division of labor—*particularly* insofar as this order is a means of social cooperation in order to perceive and acquire knowledge. Mises, the product of a more rationalist age, delineates the benefits of the division of labor in assisting conscious economic activity, while Hayek stresses the tentative mix of cultural traditions and individual consciousness that underlies and shapes the working of such a system.[15] Both, however, stress the role played by the epistemic order of the division of labor for social cooperation. Private property, or several property as Hayek prefers to term it, is fundamental not only because of the incentives for individual initiative it helps to produce, but more fundamentally for its role in coordinating the growing "intellectual division of labor" that corresponds to the expansion of the physical division of labor in society.[16] The various individuals on the social scene depend on such institutions to guide them so they may act in concert with one another.

While institutionalist writers have focused mainly on social stratification and the power structures present in "really existing" capitalist societies and have thereby provided some important insights, they have systematically failed to discuss the social institutions fundamental to the working of a market economy—not the idealized and atomistic model of perfect competition depicted in neoclassical economics, but the dynamic, very real market economy discussed by Adam Smith, J. B. Say, and the Austrians. The Austrian writers, in particular Mises and Hayek, have for instance explored the social role of money prices in economic calculation in some depth. Economic calculation allows individuals within the market process to separate from among all technologically feasible projects those which are economically rational *to society* and those which are not. Only through the development of the subjectivist perspective, it has been argued by Mises, did the problem of economic calculation come to be

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understood.[17] The allocation of capital resources, remote as they are from direct consumer evaluation, must rely on some shorthand to aid in their economic assessment. Without some institutional guide, we would be trapped, as Mises put it, "amid the bewildering throng of economic possibilities."[18]

The institutions of private property and free capital markets, however, provide a way out of the social dilemma. The freely fluctuating exchange ratios established on the market translate the subjective trade-offs of some into effective knowledge for others in a manner which guides individuals so they may orient their plans to one another. Through the process of economic calculation the social system of production *overcomes* the solipsistic construction of social reality that goes on at the individual level and the corresponding problem of dispersed knowledge in society. Without the aid of economic calculation to coordinate the division of social labor, Mises argued, society would be reduced to taking "steps in the dark."[19]

Admittedly, Austrian research on the market as a social institution has mainly focused on the function of money prices, and such a narrow focus is not sufficient to explain the complex social arrangements of a market society completely. But an understanding of the role of money prices in economic calculation is a necessary prerequisite for such an understanding. Other institutions, such as brand-name capital, advertising, credit ratings, trade journals, etc., should also be explored in depth because of their vital role in affecting the expectations, beliefs and behavior of the various economic actors and in promoting or disrupting social coordination.

Hodgson should be credited with pushing the focus beyond the idea of prices as information surrogates, as if we could simply obtain all the relevant information by looking at a price tag. But it should be clear that Hodgson's depictions of the policy bias and the views of society espoused by methodologically individualistic economists are caricatures inasmuch as they ignore the differences between his erstwhile Austrian allies and their positivist opponents. His criticism of economists who ignore social institutions *does* apply to neoclassical economists, but not to the Austrians, just as his claim that economists oppose interventionism is much more true of Austrian than neoclassical economists.

What explains this pattern of misreadings is Hodgson's undifferentiated view of methodological individualism. He must misrepresent Austrian views in order to equate them with those of the mainstream. Once Austrian economics is portrayed as holding an unrealistic view of the individual and society, it can be assimilated to neoclassical economics—which is indeed atomistic and mechanistic;[20] next, if the

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Austrian preference for laissez-faire can be equated to neoclassical policy prescriptions, then Austrian laissez-faire can be tarred with the brush of naive neoclassical social theory and dismissed.

### *Methodological Individualism, True and False*

Hodgson's inadequate understanding of the Austrian view of society is premised upon his assumption that all methodological individualism is alike, i.e., all individualism is atomistic. In fact, however, unlike neoclassical theory, which attempts to explain complex social phenomena as the outcome of atomistic units calculating maxima for both individual and social functions, Austrian economists have argued that erring, speculative, creative and socially constituted individuals, caught as they are between alluring hopes and haunting fears, should be the beginning of social analysis. It is the individual's choices on the social scene, as he or she copes with pervasive ignorance, that *allows* the analysis of social phenomena.[21]

The methodological individualism of mainstream economics and the corresponding notion of optimization have little or nothing to do with the purposes and plans of living human actors. Rather than methodological individualism, the mainstream approach could better be called methodological atomism or simply optimization analysis. In this sense, Hodgson is correct in his criticism. But he does not really address the Austrian argument for methodological individualism and its roots in Weberian interpretive sociology.[22] Hodgson seems oblivious to the fact that Mises and Hayek are as critical of atomism and homo oeconomicus as he is. Hayek, who identifies himself as an evolutionist, has written that the mainstream concept of economic man "belongs to the rationalist rather than to the evolutionary tradition."[23] And Mises is clear in his rejection of any deterministic and mechanical image of human choice.

Mises pointed out that economics ought to "neither limit its theorems to the actions of businessmen alone nor [deal] with a fictitious homo oeconomicus."[24] Economics, he wrote,

> deals with the real actions of real men. Its theorems refer neither to ideal nor to perfect men, neither to the phantom of a fabulous economic man (homo oeconomicus) nor to the statistical notion of an average man (homme moyen). Man with all his weaknesses and limitations, every man as he lives and acts, is the subject matter of catallactics.[25]

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Individuals and their choice-making activity serve as the beginning of the Austrian analysis not because of a rejection of collective entities, but because *it is only by interpreting such social entities as the composite outcome of individual activity that we can come to understand their meaning and significance.* To quote Mises again:

> Nobody ventures to deny that nations, states, municipalities, parties, religious communities, are real factors determining the course of human events. Methodological individualism, far from contesting the significance of such collective wholes, considers it as one of its main tasks to describe and to analyze their becoming and their disappearing, their changing structures, and their operation.[26]

The basic principles of economic understanding, in this view, are to be gleaned reflectively from common sense and intersubjective knowledge of the life-world, as mediated through language. "Economics," the contemporary Austrian economist David Prychitko has pointed out, "must appeal to the intersubjective realm of mutually understood human meanings, in order to render social events such as the exchange of money intelligible."[27] Without reference to these shared meanings, we would talk not of money but of metal disks or pieces of paper going from one hand to another.

By way of interpretive principles the social analyst can come to understand the social world. This social, institutional, or sophisticated individualism, as opposed to the atomistic individualism of mainstream economics, does not deny that social customs affect individual behavior, as Hodgson wishes to suggest (e.g., 138), but emphasizes instead how social customs are mediated through the actions of individuals. Thus, Mises wrote that "as a thinking and acting being man emerges from his prehuman existence *already as a social being*. The evolution of reason, language, and cooperation is the outcome of the same process; they were inseparably and necessarily linked together."[28]

Only at the level of the individual can we attribute meaning to social phenomena. Only individuals choose. An understanding of the social world is only possible by reference to the meaning individuals attribute to the activities of others and the social institutions that surround them. As Mises further elaborates:

> That there are nations, states, and churches, that there is social cooperation under the division of labor, becomes discernible only in the actions of certain individuals. Nobody ever perceived a nation without perceiving its

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> members. In this sense one may say that a social collective comes into being through the actions of individuals. That does not mean that the individual is temporally antecedent. It merely means that definite actions of individuals constitute the collective. . . . It is illusory to believe that it is possible to visualize collective wholes. They are never visible; their cognition is always the outcome of the understanding of the meaning which acting men attribute to their acts. We can see a crowd, i.e., a multitude of people. Whether this crowd is a mere gathering or a mass (in the sense in which this term is used in contemporary psychology) or an organized body or any other kind of social entity is a question which can only be answered by understanding the meaning which they themselves attach to their presence. And this meaning is always the meaning of individuals. Not our senses, but understanding, a mental process, makes us recognize social entities.[29]

This is why Hodgson's institutionalist alternative to Austrian methodological individualism is inadequate. Hodgson ignores the fact that the Austrian variant of methodological individualism avoids atomism through its use of the notion of intersubjectively yet individualistically generated meaning. That individual action is embedded in a web of social meaning is undeniable—except by the neoclassical mainstream, at least in practice. Far from being a problem, the inexorably social nature of human action is our major source of knowledge about one another, as reflected in our experience of the life-world.[30] Hodgson's own solution to the problem of relating individuals and institutions is to claim that neither individualism nor determinism is an acceptable explanation in itself. In effect, Hodgson simply contends that "pure" arguments fail to recognize the "impurity" of social reality and provide for their adherents merely the chimera of certainty, when in fact "purity" is impotent in the face of social complexity. However truthful that claim is ontologically, it does not get us any closer to an understanding of the "being and becoming" of social institutions. Absent the notion of intersubjective meaning generated by socially constituted individuals, the social theorist cannot understand the individual appraisement process of the market nor render intelligible the coordinative properties of this process.

Modern social relations require more than the simple coordination of face-to-face relations. They require complex coordination among anonymous actors. The fundamental questions for economics (and other social sciences) then are: How is it that institutions arise which serve as guideposts for cooperation in anonymity, and what methods should we employ in order to understand such institutions? In other words, how do social institutions bridge the seemingly unbridgeable gap between individual constructions of social reality and the regularity present in social order?

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This explains why the methodologically individualistic Austrians, not the institutionalists, have addressed the workings of the market order as a problem of dispersed knowledge. Only by starting with "solipsistic" (but not atomized) individuals and recognizing the social, intersubjective links that shape them and that they reshape can we work our way out to a realistic understanding of the origin and function of social institutions. Thus is the original institutionalist project now being carried forward; but Hodgson misinterprets it because its practitioners often conclude that economic efficiency is served by laissez-faire.[31]

So, for example, Hodgson opposes the generalization of the Austrian argument against central planning to apply to piecemeal, welfare-state interventionism as an example "of promising and rounded arguments being forced into square, pre-existing, ideological holes" (260). But the "socialist calculation debate" started by Mises in 1920 was never about planning or no planning, but rather about who was in the best position to do planning.[32] The Austrians argued that since social cooperation depends crucially on the mobilization and exploitation of *contextual knowledge*, decentralized planning at the level of the individual and the firm was best. On the other hand, even local government officials (let alone centralized bureaucracies), removed as they are from the institutional context of economic activity, are not in the best position to make economic decisions, for they do not have access to the requisite contextual economic knowledge.

Price movements must be *interpreted* by individual economic actors who appraise their *meaning* within a specific economic context. Moreover, within the social process of economic life individuals draw on knowledge not only having to do with prices, but with many other things as well—including beliefs about quality, prestige, loyalty, and convenience, for example. However, when moving beyond narrow explanations of market coordination through price adjustments (a move social economics demands), we should not forget the fundamental lesson concerning the guiding function of market prices. Not only do prices generate incentives for the effective use of resources, but as social institutions spontaneously created by the interaction of interpreting individuals, freely established money prices are vital for the conveyance and use of dispersed knowledge. The exchange ratios established on the market represent the social mosaic upon which rational economic calculation is based.

Because of his failure to understand the phenomenological and interpretive basis of Austrian economics and the view of the social learning process of the market that flows from this perspective on the individual's situation in the social world, Hodgson does not deal adequately with the

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Austrians on either an analytical or policy level. The Austrians confront Hodgson with a serious anomaly: a social, even "institutionalist" variant of methodological individualism. However, he does not confront this challenge head on, preferring to sidestep the issue by relying on a facile characterization of the Austrian position as being a variant of atomistically individualistic classical liberalism. Admirably, he raises several issues that will generate further discussion and study. Unfortunately, he does not succeed in his stated aim of providing a "manifesto" for a modern institutional economics that offers a coherent and convincing alternative to methodological individualism, properly conceived.

NOTES

1. For a criticism of the standard interpretation that German Historicism and American Institutionalism are synonymous, see Anne Mayhew, "The Beginnings of Institutionalism," in Marc Tool, ed., *Evolutionary Economics*, vol. 1 (New York: M. E. Sharpe, 1988), 21–48. As Mayhew writes: "There seems little reason to doubt Veblen's own word when he said that he was in substantial disagreement with the German historical economists. He knew the literature of the German Historical School well, as is evidenced by his reviews of works by Adolf Wagner, Gustav Schmoller, and Werner Sombart. He also wrote critically of the school in 'Why Is Economics Not an Evolutionary Science?' There he criticized the German school for its failure to develop a theory of process and so to become a modern science" (31). Not a rejection of theory, as many argue, but a preoccupation with developing a theory of social processes is the defining characteristic of institutional economics. "Ongoing change and human diversity and the related abandonment of natural laws governing human behavior and human society," Mayhew further argues, "gave rise to modern ideas of culture, cultural evolution, and cultural relativity. Institutional economics diverged from standard economics because it rested upon the acceptance of these ideas" (41).
2. Veblen, "Why Is Economics Not an Evolutionary Science?" (1898), in *The Place of Science in Modern Civilization and Other Essays* (New York: Viking Press, 1919), 72.
3. For an extended treatment of this question see Peter J. Boettke, "Evolution and Economics: Austrians as Institutionalists," *Research in the History of Economic Thought and Methodology* 6 (1989): 73–89. Also see Richard Langlois, "What is wrong with the old institutional economics (and what is still wrong with the new)?" *Review of Political Economy* 1, no. 3 (November 1989): 270–98.
4. David Seckler, *Thorstein Veblen and the Institutionalists* (Boulder: Colorado Associated University Press, 1974), 9.
5. The difference between the "new" institutional economics and Austrian economics centers around the adherence by new institutional economists to

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certain key propositions of standard neoclassical economics which the Austrians reject. The new institutional analysis explicitly begins with the atomistic individual and homo oeconomicus, while the Austrians regard this as narrow and inappropriate. New institutional economics analyzes the equilibrium properties of the market, taking into account transactions costs and the costliness of information, while the Austrian emphasis is on the dynamic market process, the ubiquitousness of ignorance of the future and the dispersion of knowledge throughout society. Common among institutionalist critics of the new institutional economics is a conflation of their views and those of the Austrians. For example, see the otherwise very stimulating paper by Malcom Rutherford, "What is wrong with the new institutional economics (and what is still wrong with the old)?," *Review of Political Economy* 1, no. 3 (November 1989): 299–318. For an example of new institutional analysis see Martin Ricketts, "The Economic Analysis of Institutions," *Critical Review* 4, nos. 1–2 (Winter-Spring 1990). Despite these points of difference I do not wish to suggest that the new institutional economics is not an important development nor suggest that it does not illuminate the social world. My intention is simply to point out that new institutional economics is *not* the same as Austrian economics.

6. My emphasis in this essay will be a critical analysis of Hodgson's discussion of the Austrians. But this only represents one aspect of this excellent book and in no way is an exhaustive account of his work. Hodgson's command of the literature is overwhelming and his critical analysis of various modern arguments concerning refinements in neoclassical economics is impressive.
7. The radical subjectivists include scholars such as G. L. S. Shackle and Brian Loasby as well as Austrian economists. The Austrians have the unique privilege (or curse) of belonging both within the orthodoxy and the heterodoxy, depending on how one understands the Austrian message and wishes to apply it. Some authors within the Austrian tradition wish to concentrate their efforts on providing a better explanation of price formation and the market process than is available from orthodox models; others wish to reject the neoclassical model and reconstruct economics along radical subjectivist lines. This tension within the Austrian school is felt in Gerald O'Driscoll and Mario Rizzo, *The Economics of Time and Ignorance* (New York: Basil Blackwell, 1985). Also see the contrasting reviews of that book by Ludwig Lachmann and Israel Kirzner in *Market Process* 3, no. 2 (Fall 1985). In addition, see Boettke, Steven Horwitz, and David Prychitko, "Beyond Equilibrium Economics," *Market Process* 4, no. 2 (Fall 1986) and David Prychitko, "Ludwig Lachmann and the Farther Reaches of Austrian Economics," *Critical Review* 1, no. 3 (Summer 1987).
8. The irony here is that while the older criticism was that classical economics was unscientific because of its reliance on a version of celestial mechanics, Hodgson's criticism is that modern economics is unscientific because it is grounded in an overly scientistic philosophy that has been repudiated.

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9. See Elias L. Khalil, "Rationality and Social Labor in Marx," *Critical Review* 4, nos. 1–2 (Winter-Spring 1990).
10. Perhaps most annoying in his work is his assertion that Hayek's latest emphasis on spontaneous order is somehow a turn away from the atomistic philosophy of classical liberalism. Hayek's elaboration of the theory of spontaneous order is merely an extension of the evolutionary social theory of David Hume and Adam Smith and not at all inconsistent with those efforts. See Hodgson, 276 n3 and 303 n2. Also see 137–8, where he discusses the analytical advantages and disadvantages of the work of Hayek and Robert Sugden on evolutionary processes.
11. See also Hodgson, "Institutional Economic Theory: The Old versus the New," *Review of Political Economy* 1, no. 3 (November 1989): 249–69.
12. See Oskar Lange, *On the Economic Theory of Socialism*, ed. Benjamin Lippincott (New York: Augustus M. Kelley, 1970 [1939]) and "The Computer and the Market," in *Socialism, Capitalism and Economic Growth: Essays Presented to Maurice Dobb*, ed. C. H. Feinstein (New York: Cambridge University Press, 1967). For an analysis of Lange's position vis-à-vis neoclassical economics and Austrian economics see Don Lavoie, *Rivalry and Central Planning* (New York: Cambridge University Press, 1985), 78–144. It also interesting to note that in Lange's original challenge to Mises, he accuses Mises of being an institutionalist because of the emphasis on the institutional context of the Misesian argument. See Lange, 62.
13. Abba P. Lerner, *The Economics of Control* (New York: Macmillan, 1944).
14. See Carl Menger, *Principles of Economics* (New York: New York University Press, 1981 [1871]) and *Investigations into the Methods of the Social Sciences with Special Reference to Economics* (New York: New York University Press, 1985 [1883]) and Hayek, *Law, Legislation and Liberty*, 3 vols. (Chicago: University of Chicago Press, 1973–79) and *The Fatal Conceit* (Chicago: University of Chicago Press, 1988).
15. See Mises, *Socialism: An Economic and Sociological Analysis* (Indianapolis: Liberty Press, 1981 [1922]), 256–78 and *Human Action*, 3rd rev. ed. (Chicago: Henry Regnery, 1966), 143–76; and Hayek, *Law, Legislation and Liberty* and *The Fatal Conceit*.
16. As Mises wrote in 1927 in *Liberalism* (San Francisco: Cobden Press, 1985), 75:
    > The decisive objection that economics raises against the possibility of a socialist society [is that] it must forgo the intellectual division of labor that consists in the cooperation of all entrepreneurs, landowners, and workers as producers and consumers in the formation of market prices.
17. See Mises, *Socialism*, 186.
18. *Ibid.*, 101.
19. *Ibid.*
20. It is by now a familiar story how, enamored with the success of physics, economists sought to ape its methods. To that end, creative human beings were purged from economic analysis. As Pareto argued with regard to the

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introduction of indifference-curve analysis: "The individual can disappear, provided he leaves us a photograph of his tastes." See Pareto, *Manual of Political Economy* (New York: Augustus M. Kelley, 1971 [1927]), 120. This line of research culminated in the model of general competitive equilibrium developed by Kenneth Arrow, Gerard Debreu and Frank Hahn. See Gerard Debreu, *Theory of Value: An Axiomatic Analysis of Economic Equilibrium* (New Haven: Yale University Press, 1959), and Kenneth Arrow and F. H. Hahn, *General Competitive Analysis* (San Francisco: Holden-Day, 1971). Hahn, for example, explained that "traditional equilibrium theory does best when the individual is of no importance—he is a measure zero. My theory also does best when all the given theoretical problems arising from the individual's mattering do not have to be taken into account." See Hahn, *On the Notion of Equilibrium* (Cambridge: Cambridge University Press, 1973), 33.

21. Thus, Paul Davidson completely misinterprets the Austrian argument in his review of O'Driscoll and Rizzo's *The Economics of Time and Ignorance*. Davidson argues that "we may characterize the basic neoclassical model as assuming a mechanism where complete information about the future exists and is costlessly distributed to all agents. In the Austrian model, although complete information is presumed to exist, it is costly to acquire. For Keynes and the Post Keynesians . . . in an uncertain world information regarding future outcomes does not currently exist and hence cannot be acquired at any cost" (Davidson, "Economics of Ignorance or Ignorance of Economics?," *Critical Review* 3, nos. 3–4 [Summer-Fall 1989]: 483 n1). But the Austrians, unlike Chicago-school search theorists, share the Post Keynesian perspective on the unknowability of the future and our pervasive ignorance. The difference between Austrians and Post Keynesians is over the ability of social institutions to arise which aid individuals within an uncertain world and promote the coordination of their activities with the multitude of others'.
22. Hodgson does discuss some of Ludwig Lachmann's ideas; see 63 and 67. For a general discussion of Weber's influence on the Austrian project see Lachmann, *The Legacy of Max Weber* (Berkeley: University of California Press, 1971).
23. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), 61.
24. Mises *Human Action*, 64.
25. *Ibid.*, 651.
26. *Ibid.*, 42.
27. David L. Prychitko, "Methodological Individualism and the Austrian School," *Journal des Economistes et des Etudes Humaines* 1, no. 1 (1989–90): 174.
28. Mises, *Human Action*, 43, emph. added.
29. *Ibid.*, emph. added.
30. Hodgson conceives the methodologically individualist solution to this dilemma as being susceptible to an infinite regress (64–6). Are social institutions the result of individual action or are individual actions the result of

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social institutions? For a suggestive answer to this question from a radically subjectivist perspective, see Matthew B. Kibbe, "Creation and the Evolution of Institutions," *Market Process* 8 (Spring 1990): 84–90.

31. Hodgson begins his discussion of his alternative, non-classical liberal public policy economics with the recognition that "one important aspect of the Austrian position is incontrovertible: complete central planning is impossible because of the insuperable problems of gathering and processing the large amount of necessary information, even with the assistance of the largest foreseeable computers" (245). But he quickly points out that while the Austrians are right about this with regard to central planning, "there is no need to follow them in their extreme and untenable views" regarding the value or viability of all economic planning by the government (245).
32. As F. A. Hayek pointed out: "This is not a dispute about whether planning is to be done or not. It is a dispute as to whether planning is to be done centrally, by one authority for the whole economic system, or is to be divided among many individuals." See Hayek, "The Use of Knowledge in Society," in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1980 [1945]), 79. This is also the nature of Adam Smith's argument when he writes:

> What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can *in his local situation*, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would no-where be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

See Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Chicago: University of Chicago Press, 1976 [1776]), 478, emph. added.

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*Israel M. Kirzner*

# SELF-INTEREST AND THE NEW BASHING OF ECONOMICS: A FRESH OPPORTUNITY IN THE PERENNIAL DEBATE?

*A spate of recent attacks on the rationality assumption in economic theory is noticed. Some of these attacks are fresh and, in many ways, original, but the central ideas underlying them are not new. They appear to have been provoked by the direction in which much of mainstream economics has been moving in recent years. On the other hand, it is suggested here, certain developments in contemporary economics, associated particularly with the revival of interest in the Austrian paradigm, offer a fresh understanding of the way in which the rationality assumption, its role in economics properly understood, is able to meet these old-new attacks.*

The self-interest assumption in economic theory has aroused passionate debate again and again in the history of the discipline. The passions were first ignited in reaction to classical economics, which appeared to assume not only a world of self-interested persons, but one in which they were intent on nothing else except material satisfaction. For a John Ruskin all this meant that classical economists and those who could read their work with acceptance "must have got into" an "entirely damned state of soul."[1] As the nineteenth century advanced, the tone of the criticism of the role of homo oeconomicus in economics shifted from indignation to methodological outrage. Both on the Continent and in England, and very soon

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in the United States, critics of economics, in both its classical and neoclassical versions, denounced as irredeemably flawed those cardinal assumptions upon which economic theory seemed to rest. From Cliffe Leslie in the U.K. to Thorstein Veblen in the U.S., historicist and institutionalist critics demanded a reformed economics that should recognize the complexity of human nature, the variety of human goals and motives, the degree to which sociological and psychological forces are intertwined with (or even swallow up entirely) those singled out by economic theorists. An entire literature burgeoned around these controversial issues—with the same charges and rebuttals being raised again and again.

A spate of recent books—by Robert Frank, Gregg and Paul Davidson, and Amitai Etzioni[2]—has once more injected these hoary issues into current debate. These volumes are not simply rehashes of the old outcries of the moralists or the historicists; each of them attacks mainstream, late twentieth-century economics in a fresh way. Yet at bottom the points of substance from which these attacks derive their force are, with some notable exceptions, the very same points which nourished the attacks on economics over a century ago. Although the authors display scant interest in possible intellectual predecessors, their fundamental disagreements with mainstream economics boil down to a few key, classic, objections—in fact objections that have been debated repeatedly. Although at certain places in these books reference is made to standard responses that can be anticipated to be forthcoming from the defenders of mainstream economics, these defenses are dismissed as insufficiently serious.

Our purpose in these pages is not to review these books, but to reflect once again on the venerable issues of which they remind us. In particular, the circumstance that these book-length critiques of standard economics have appeared at this time is itself worthy of attention. What have today's mainstream economists done to arouse once again the old passionate denunciations of their science? Or, to take a different tack, can the economics of the 1990s perhaps lay these criticisms to rest in a more definitive manner than the economics of the 1890s—or the 1930s—was able to do? We shall in fact argue that (a) some modern developments in mainstream economics may indeed have played a role in provoking these criticisms; but (b) that (not entirely coincidentally) other modern developments in economics, developments which have themselves emerged out of a separate strand of critical analysis of mainstream economics, can help show how the classic defenses of economics against the kinds of criticisms raised in these new books can be appreciated, and extended, in a new way. So that it is perhaps just possible that the complicated state of modern economics, while on the one hand provoking renewals of the old critiques

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in ever more aggressive forms, can also point the way to deeper appreciation of the ultimate irrelevance of these critiques.

### *Selfishness and Economics*

An only slightly unfair caricature of the ancient criticisms levelled against economics would be to portray these criticisms as understanding economics to be the theory of a society in which all individuals are strictly selfish and coldly logical, with not an iota of morality or ounce of emotion in their veins. The economic man which these criticisms perceive to be central to economic theory is unattractively intent, in the first place, only on more and more wealth, motivated exclusively by the urge to enjoy those pleasures which money can buy. His character is unredeemed by any altruistic sympathies; his drive to satisfy his appetites is unrestrained by any moral reservations. His actions are governed by steel-trap-like logic, never softened or dislodged by emotion or weakness of will. From the perspective of the critics, economic theory is able to reach firm conclusions, and in particular to ascribe benign properties to the free market economy, only by developing models populated exclusively by such economic men. The three books cited above begin with roughly this perception of mainstream economics. Each of them attacks this economics from a slightly different point of departure.

Robert Frank's critique is, in a sense, the mildest, and the least "dangerous" for the practitioners of mainstream economics. There is no need, Professor Frank argues, for economics to assume exclusive rationality, understood as complete freedom from emotion and passion. The validity of economics is therefore not threatened by pervasive real-world examples of passionate behavior. It can be shown, by ingenious theorizing and striking hypothetical examples, that it may, in the long run, be entirely useful to permit one's decisions to be shaped by moral sympathy, by the urge for revenge, by the prick of conscience, by trust, and the like, even where cooler reasoning might at first glance appear to point to different courses of action. Building on earlier work by Thomas Schelling and others, Frank shows how the practice of moral behavior, for example, may not only be good for society, it may also be materially beneficial to the practicing individuals themselves. Clearly, while all this would permit the economists' models to encompass kinds of behavior traditionally excluded, the overall perspective attributed to economics need not be substantially altered. So, far from calling for severely restricted scope for the models of economists, Professor Frank's work can in fact be construed as demonstrating the relevance of these models for rationalizing behavior

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once thought to be beyond their scope. Highly original in many ways, this work can in no way be dismissed as merely rediscovering nineteenth-century criticisms of economics.

The Davidsons certainly do not come to extend the applicability of the models of the economists. They construe economics as lauding the social usefulness of exclusively self-regarding behavior. Economics arrives at theorems demonstrating the social optimality of strictly individualistic behavior. Not only does economics appear to frown on the civic virtues, it is seen as promoting technical efficiency for its own sake (even where such efficiency may be sought to promote genocidal goals!), and of measuring social worth only insofar as it can be captured by a market price in dollars. For the Davidsons the world explicated by economic theory is a most repulsive place; a civilized society, they argue, requires a totally different economics. The moral and scientific blindness of economists, the Davidsons feel, is not only responsible for their promotion of this repulsive, uncivilized society. This blindness prevents the economists from realizing that even the material well-being upon which they focus such exclusive attention, must suffer in a world bereft of civilized values. Without trust and civic virtue markets cannot work. The cynicism concerning moral values which pervades mainstream economics is ultimately inconsistent with the prosperity which is being sought. Much of the Davidsons' critique is strongly reminiscent of mid-nineteenth century condemnations of economics, particularly those of Carlyle and Ruskin.

Professor Etzioni's attack on economics is the most ambitious. The focus of his criticism is on the validity of economic theory in explaining the phenomena of the real world, rather than on the moral (or other) desirability of a world built according to the specifications of the economists' models. For Etzioni economics is simply not good social science; its assumptions are false and its conclusions invalid. The falsity of the assumptions of the economists relates, in particular, (a) to the nature of the consumer (whom economists falsely assume to be in pursuit only of pleasure), and (b) to the decisions made by economic agents (which economists falsely believe to be made entirely rationally and without any distortion arising from passion and emotion.) Although it is impossible here to do justice to the richness of Etzioni's exhaustive critical survey of modern economics, it should be pointed out that his critique is, at base, entirely similar to the late nineteenth-century appeals for a reformed science of economics. Just like earlier critics, Etzioni is asking for an economics (he calls it "socio-economics") which should in fact be a kind of economic sociology. In fact his objections to economics, like those of his century-old predecessors, attack the very concept of a pure science of

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economics. Indeed, this line of criticism has consistently maintained that economics can be rescued only by abandoning the traditional boundaries of the discipline. For explanations of social phenomena which, for analytical purposes, begin by postulating a separate field of strictly economic action are fatally flawed from their very beginning.

### *The Standard Defenses and the Standard Rebuttals*

Traditionally, economists have defended themselves against attacks on the unrealisticness of economic man along one or other of two possible lines of reasoning.

One line of defense has been to argue that the rationality assumption (or the assumption of selfishness, or whichever version of the fundamental assumption of economizing activity is under attack) is never meant as *more than a useful first approximation.* The assumption is held to be roughly valid for much of human activity, so that the models of economic theory provide indispensable guidance in understanding the real world. This guidance must, admittedly, of course be supplemented by careful consideration of actual behavior in specific situations; nonetheless it would be folly to reject out of hand the guidance of the pure economic models. The inclusion of all relevant sociological and/or psychological features of real-world situations can only obscure those powerful chains of cause and effect which arise from the significant extent to which the economist's assumptions *are* empirically relevant to those situations.[3]

The critics of economics (including, in particular, Professor Etzioni) have, in one way or another, rejected this line of defense. They have denied the empirical usefulness of the economists' assumptions. They have accused economists of ignoring, at least in their policy recommendations, their own fine-print lip-service to the limited actual relevance of their models. In fact, the critics maintain, economists have permitted their models to run away with them, so that they are simply unable to shake off their adherence to these suspect assumptions. This rebuttal has been sharpened by the contemporary work of economists such as Gary Becker, who has applied the models of economics to areas of human life (such as marriage and the family) in which (the critics believe) the economists' assumptions are, even more than usual, egregiously unrealistic. These critics are deeply offended by the economists' insistence, not merely on barring the insights of sociology from their explanations for economic phenomena, but on in fact "imperialistically" laying claim, on behalf of their own caricature-like models of human behavior, to territory traditionally recognized as the preserve of the other social sciences.

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The second of the two traditional defenses of economics has been to argue for a highly refined version of the assumption of economic man. It is argued that economics does not need, and never has needed, the cruder assumptions sometimes employed in the characterization of homo oeconomicus. Economic man does not need to be materialistic, or selfish; he does not even have to be efficient in any objective sense. *He merely has to pursue goals purposefully,* in the light of his own perceptions of relevant possibilities and constraints. Ever since, in 1932, Lionel Robbins built on the ideas of Philip Wicksteed in the U.K. and a number of Austrian economists of the 20s and early 30s to formulate this rarefied depiction of the economizing agent,[4] economists have felt justified in brushing aside much of the standard criticism. As Mises (one of the Austrians on whose ideas Robbins had drawn) had explained as early as 1922, there is nothing in the economist's approach which implies absence of moral restraints. There is nothing amoral or "uncivilized" in the economist's perspective. Truly sensitive natures, Mises pointed out, need not be dismayed by the economist's way of putting things. "Called upon to choose between bread and honour, [such truly sensitive natures] will never be at a loss how to act. If honour cannot be eaten, eating can at least be foregone for honour."[5]

The critics have not accepted this line of defense. As Etzioni points out (with regard to the more modern version of the Wicksteed-Mises-Robbins line of defense, which treats utility as a "strictly formal concept, as the common denominator of all human preferences"),[6] this defense involves first of all the reduction of utility theory to a tautology. Second of all it suppresses important substantive differences which separate human actions designed to pursue pleasure from those taken in response to moral imperatives.[7] To insist on the "mono-utilitarian" paradigm is both to offer theories empty of empirical content and relevance, and to obscure significant and easily understandable differences in behavior patterns.

Our position in what follows will be generally on the side of the defenders of economics, especially those employing the Mises-Robbins approach. But we shall argue that the full significance of this reply to the sociological and historicist critics has not yet been properly articulated. Our elaboration of the Mises-Robbins argument will require us to reject (as the critics of economics reject) the first line of defense referred to earlier. Our defense of the "rationality" assumption—using the quotation marks in order to avoid becoming embroiled in definitional debates concerning precisely which concept of rationality undergirds economics—will emphasize the significance of this assumption, not for the theory of decision making, but for the theory of *market process.*

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## *"Rationality" and the Market Process: Towards a Fresh Articulation*

We will maintain, somewhat dogmatically perhaps, that the core of economic theory is the theory of markets. Even the harshest of the critics of economics are unlikely to deny that at least some markets work systematically at least some of the time. The explication of the responsible systematic forces, we assert, constitutes the central idea in economic theory. For us the existence of systematic market forces means the existence of *a spontaneous process of learning.* What economic theory essentially sets out to explain, therefore, is how a spontaneous learning process can be set in motion by the interaction of exchanging individuals. To assert that markets work systematically is to assert that market participants tend spontaneously to become better informed about each other, as a result of initial market experiences based on earlier erroneous perceptions about one another's abilities, attitudes, and degrees of eagerness. *The great contribution of economic science to social understanding has been to discern and explain this kind of spontaneous learning process—in all kinds of specific contexts.* There is nothing, in the economic theory which explicates this process, which depends on any specific context in which it may manifest itself. There is nothing in economic theory which confines it to individuals pursuing strictly material satisfactions or which excludes the operation of moral imperatives and restraints. Perhaps more to the point for present purposes, strictly speaking, *nothing in economic theory purports to explain how individuals, with given information, make their decisions; it relates exclusively to the spontaneously changing patterns of information in the light of which these decisions are made during the course of the market process.* Our defense of the "rationality" assumption in economics boils down to the claim that the only essential role played by this assumption relates, not to the way in which decisions are made, but instead to the manner in which hitherto overlooked opportunities for market gains come to be perceived. All this calls for some elaboration; it represents, admittedly, a highly unorthodox understanding of the role of the "rationality" principle.

### *Microeconomics and Economic Theory*

The generally perceived role of the "rationality" assumption in modern economic theory—in our view a somewhat misperceived role—arises from the way in which microeconomics is generally perceived. It is recognized (of course correctly) that the central elements in economic theory are those which make up microeconomics. That is, these elements

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are understood analytically as proceeding from the decisions made by individual market participants. From this sound starting point there has developed, however, the unfortunate perception that a central task of economic theory is *to explain the individual decision,* in the sense of providing, in principle, a way of predicting what a given individual consumer, resource owner, or owner of a firm, will decide to do under given circumstances. For this explanation, it is generally understood, the "rationality" assumption provides the controlling principle. In the modern criticism of economics it is the validity of this controlling principle which is under attack. We believe this perception of microeconomics, and thus the criticism of economics on the basis of perceived weaknesses in the "rationality" assumption, to be fundamentally imprecise.

In our view the central element in microeconomic theory is its explication of the manner in which systematic market tendencies arise. These tendencies arise out of the interplay of individual decisions; it is this which makes microeconomics central to economic theory. But the prime focus of microeconomics should, in our view, be the process through which this interplay of individual decisions systematically generates greater mutual awareness. The central role of "rationality," we shall see, concerns this process of learning. In fact, in our view, it is not the function of economics to explain decision making at all, in any except the most formal ("tautological") sense. The function of microeconomics is to explain how, in the course of the market process, decisions tend to change—spontaneously but systematically—from patterns which are initially based on more erroneously assumed information (concerning the attitudes of one's fellow market participants) towards patterns which are based on more correct information. We recognize, of course, that it certainly is important, in developing such a microeconomics, to work out a formal framework within which to envisage decisions being made. It is, after all, only in this way that we can focus carefully and precisely on the ways in which erroneous assumptions on the part of market participants tend to be systematically replaced by more correct assumptions. But the working out of such formal frameworks never does have the function of providing operational theories concerning individual decisions. The role of the "rationality" assumption in the microeconomic theory of the individual decision ought, therefore, to appear totally innocuous *precisely because* of its empirical emptiness. We thus fully endorse the Mises-Robbins defense of the role of the "rationality" assumption, which emphasizes the complete *generality* of the utility towards which individuals are assumed to be purposefully aiming. But we wish to make two relevant observations. First, we shall argue that this defense is only the beginning of the full

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story. Second, it should be clear from our discussion that the standard rebuttals offered against the Mises-Robbins defense, denouncing it as turning the micro-theory of the decision into a tissue of tautologies, incapable of explaining important, obvious distinctions between classes of decisions under a variety of circumstances, totally miss the mark. This is because the function of the microeconomic theory of the decision is *precisely* that of providing the tautologous framework required for the subsequent theory of the market process. The usefulness and the validity of the "rationality" assumption must, in our view, be judged most crucially in terms of its success in explicating the market process.

## *Self-Interest and Discovery*

The learning process which drives the forces of the market is made up primarily of disappointments and discoveries. Individuals are, perhaps, initially overoptimistic in regard to what they believe others will be prepared to pay for what they wish to buy, or in regard to what they believe others will be prepared to accept for what they wish to sell. Overoptimism generates disappointments. The cold realities drive home the truth. Subsequent buying and selling plans tend to be made on the basis of more realistic assessments. Price tends toward the market clearing level, at which no one need be disappointed. So runs the stuff of market equilibration theory.

Or again, individuals may be unnecessarily pessimistic regarding the interest of others in trading. They may believe that prospective buyers are only very slightly interested, that they will not buy except at very low prices (or that prospective sellers will not sell except at very high prices). Such excessive pessimism means that market participants may be overlooking valuable opportunities for mutual gain through exchange. Such opportunities for (what amounts to) pure profit, tend to stimulate discovery. As discoveries are made, prices for a given commodity, or productive service, or whatever, converge; input prices and output prices converge; pure profit is squeezed out until, in equilibrium, it is entirely absent. So runs the stuff of general equilibrium theory.

These processes of learning are spontaneous, not deliberate. They are driven, not by planning for the acquisition of costly knowledge, but by the spontaneous realization (resulting from experience) of earlier error. In particular they are driven by *the alertness of individuals intent on achieving their purposes.* Persons with no interests or goals will not tend to discover the changes in external conditions that favor or threaten the realization of

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interests or goals. Alertness without some degree of purposefulness is simply and totally implausible. Self-interest (in the rarefied Mises-Robbins sense of purposefulness) switches on one's awareness to hitherto unnoticed disappointing conditions, or hitherto unnoticed opportunities for gain. Without the "rationality" assumption tending to assure gradual spontaneous discovery of relevant market truths, economists would have no basis upon which to account for the systematic character of market processes.

The self-interest, the purposefulness, postulated here need in no way deny either man's moral concerns or his susceptibility to blind passions. The theory does not, recall, postulate *specific* patterns of concrete decision making; it merely asks that we recognize *some* role, in human action, for "rationality." *To the extent that* "rationality" plays a role in human decisions, we are entitled to demonstrate how it may generate systematic patterns of mutual learning on the part of participating individuals. To reject the scientific demonstration of the power of such systematic learning patterns, on the grounds of occasional or frequent human "irrationality," is to refuse to see a powerful tendency which manifests itself in regard to *all* the interests of human beings. The "laws of supply and demand" really do explicate a host of matters; they do rely on the powerful effects of human purposefulness—without in the least obscuring the influence of moral concerns, altruistic concerns, or other concerns which may be expressed *through* those purposes, and without in the least presuming the total absence of passionate and emotional obstacles to the discoveries which might be made by pure reason alone.

Nothing in the explication of the laws of supply and demand denies the possible existence of other laws ("non-economic" laws) relevant to human behavior. There is nothing in economic theory which need displace other disciplines (sociology, psychology, whatever) from exploring the possibility of such other regularities. But, at the same time, the insights of economic theory cannot be grasped without perceiving the role of the "self-interested" pursuit of possibily altruistic or other purposes in generating processes of mutual discovery.

### *Inadequate and Inept Defenses of Economics*

Those defending economics on the grounds of the approximate accuracy of specific assumptions concerning the absence of altruistic or other moral concerns, or concerning the absence of passionate and emotional elements in human action, are, from the perspective here articulated, in the last analysis doing economics a disservice. To the extent that their

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defense proposes that economics displace other social science in accounting for the specifics of human behavior, they render valid all the criticisms of those challenging the realism of selfish, calculating, and ruthlessly amoral economic man. Whatever occasional usefulness, in understanding specific social or economic phenomena, may be derived from the application of such narrowly conceived, highly specific models of human behavior, is surely outweighed by the attendant costs. These costs include, in particular, the unfortunate expectations raised in many lay—and even professional—observers, that economics can, by itself, account for and in principle predict what people will do under specific circumstances. A related cost is the diversion of attention from what economics does in fact uniquely provide: a satisfying explanation of why and how markets work.

One particularly unfortunate cost of this ineffective line of defense has been to perpetuate the myth that the normative implications of standard economic theory stand or fall with the validity of this narrowly defined homo oeconomicus. It is largely by pointing to the presence in real-world human beings of moral impulses and of powerful passions directly influencing decisions, that critics of economics feel free to reject the insights to be learned from economics concerning the socially benign consequences of free markets. Such rejection has, of course, often been the major motive inspiring the methodological criticisms made against economics, ever since the 1870s.

But once it is recognized that it is the Mises-Robbins line of defense which accurately comprehends the role of the "rationality" assumption, matters appear decidedly differently. The Mises-Robbins line of defense points, as discussed, to the paramountcy of the "rationality" assumption not so much in the theory of decision making as in the theory of spontaneous learning. The "rationality" assumption permits us to recognize that markets encourage people spontaneously to discover opportunities to gain—in terms of whatever they happen to be interested in. With the emphasis shifted from the particular decision made, to the *changing frameworks of information and perceptions within which decisions can be made* (whether under the inspiration of logic, emotion, passion or whatever), the alleged implausibility of the role of "rationality" in economics becomes an accusation more and more difficult to take seriously. It is true that the postulation of equilibrating tendencies requires a role for deliberate purposefulness, but it by no means requires an exclusive role. The theorems showing how processes of mutual learning can develop spontaneously can be seen as relevant to all kinds of human interests, and retain validity so long as human purposefulness is at least one element in the psychological make-up of market participants. Admittedly, facile deploy-

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ment of the theory of markets to account for developments in particular historical circumstances is a highly treacherous enterprise. Where moral or personal concerns complicate business decisions, it may turn out to be hazardous to attempt to identify empirically the particular "commodities" in regard to which economics is supposed somehow to postulate the existence of spontaneous processes of learning. But the general thrust of economics surely remains sound: the market is understood as a seething ocean of interacting decisions continually tending, subject to continual buffetings of "external changes," towards systematic mutual discovery by all pairs of individuals between whom (given *their* interests) exchange (of *something*) might be mutually beneficial. This tendency is never completed, neither is it ever suspended. It is frequently interrupted, often possibly distorted, but it never ceases to exert its influence.

### *Self-Interest and Late Twentieth-Century Economics*

It may be useful to conclude briefly with some thoughts about the timeliness of this new round of debate on the role of the "rationality" assumption in economics. These thoughts center on two themes: why modern economics has, at this particular time, provoked this new outburst of attacks on the "rationality" assumption; and how the contemporary revival of the Austrian tradition (the same tradition which nurtured the Mises-Robbins defense cited earlier) has made it possible to outline a fresh (and even more effective) aspect of the classic Mises-Robbins defense of the "rationality" assumption in economics.

That modern mainstream economics has provoked the renewed spate of attacks revolving round the "rationality" assumption is eminently understandable. It is in our time that microeconomics has once again assumed the controlling paradigmatic role in economic theory. It has done so in a manner which has emphasized the concrete contributions which, it is claimed, the "rationality" assumption can make to empirical social science. Modern microeconomics has proceeded to "invade" the territories of other social sciences, placing ever more weight on the crucial character of the constrained maximization behavior which the "rationality" assumption sees as so central. It has turned out to be those economists (associated very often with the University of Chicago) who have been understood to be the most enthusiastic supporters of free markets (as a consequence of their economics) whose economics appears most heavily indebted to the narrowest formulations of the "rationality" assumption. It was a George Stigler who suggested[8] that dollars and

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liberty are, for relevant purposes, entirely synonymous. It was a Richard Posner[9] whose work on law and economics seemed to make the maximization of market value the sole criterion for human happiness. In other words modern economists have seemed to permit the narrowest of formulations of the rationality assumption to dictate social policy in what critics could easily perceive to be a highly dangerous fashion. It is not surprising that all this has stimulated sharply critical reactions.

Yet at the same time as mainstream economics has been formulated on narrower and narrower conceptions of rationality, at the same time as rationality came perilously to being seen as virtually synonymous with universal omniscience, the revival of the Austrian tradition has enabled us to extend the classic Mises-Robbins defense with renewed vigor. Developments within the Austrian tradition have emphasized the centrality, not of states of equilibrium generated by completely rational (i.e. omniscient) market participants, but of market processes of spontaneous learning sparked by entrepreneurial alertness.[10]

In these processes, self-interest is indeed a central element, but this self-interest must, as we have seen, be understood with a certain subtlety. Properly understood self-interest does not exclude altruistic motivation; it depends on purposefulness, but not on any selfishness of purpose. The point to be stressed is that it is one's *own* purposes which inspire one's actions and excite one's alertness. One's purposes may be altruistic or otherwise; one's interest in achieving one's (possibly altruistic) goals switches on his or her alertness to opportunities for advancing those goals. One may appear to be acting selfishly in amassing profits in his or her market activities; but if this drive to win profits is inspired solely by a dream of endowing a research effort to fight a dread disease that threatens mankind, we would hardly label it as selfish. It is human dreams and goals which provide the motive force for market processes. Economics depends, for its understanding of market processes, upon the alert purposefulness, the purposeful alertness, of human beings. In these processes the controlling principle is goal-motivated discovery. And it is the emphasis on these disequilibrium processes of mutual discovery which has led us to underscore the relevance of the classic Mises-Robbins insistence on the utter generality of human motives.

NOTES

1. John Ruskin, *"Unto This Last"* (Oxford: Humphrey Milford, Oxford University Press, 1934), 14n.

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2. Robert H. Frank, *Passions within Reason: The Strategic Role of the Emotions* (New York: W. W. Norton, 1988); Gregg Davidson and Paul Davidson, *Economics For a Civilized Society* (New York: W.W. Norton, 1988); Amitai Etzioni, *The Moral Dimension: Toward a New Economics* (New York: Free Press, 1988).
3. Probably the most sophisticated and careful restatement of this line of defense is that of Fritz Machlup, "The Universal Bogey: Economic Man," in Maurice Peston and Bernard Corry, eds., *Essays in Honour of Lord Robbins* (London: Weidenfeld and Nicolson, 1972).
4. Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (London: Macmillan, 1932).
5. Ludwig von Mises, *Socialism: An Economic and Sociological Analysis* (London: Jonathan Cape, 1936), 116. This book is a translation from the German of *Die Gemeinwirtschaft* (2nd ed., 1932; 1st ed., 1922).
6. Etzioni, 21.
7. *Ibid.*, 23–50.
8. George J. Stigler, "Wealth, and Possibly Liberty," in *The Intellectual and the Marketplace,* enlarged ed. (Cambridge, Mass.: Harvard University Press, 1984).
9. Richard A. Posner, "Utilitarianism, Economics and Social Theory," in *The Economics of Justice* (Cambridge, Mass.: Harvard University Press, 1983).
10. See Israel M. Kirzner, *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1973); *Discovery and the Capitalist Process* (Chicago: University of Chicago Press, 1985).

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*G. B. Madison*

# HOW INDIVIDUALISTIC IS METHODOLOGICAL INDIVIDUALISM?

*F.A.Hayek is generally considered to be a representative of what, in regard to the methodology of the human sciences, is commonly referred to as "methodological individualism" (MI). This paper is an attempt to determine the exact nature and significance of Hayek's own particular brand of "individualism." In particular, it attempts to show that Hayek's MI is grossly misinterpreted when it is viewed as being merely another instance of the atomistic or analytic individualism characteristic of much modern thinking. The "true" individualism that Hayek argues for is in fact one which highlights the irremediably social nature of human being that recent hermeneutical and postmodern writers have stressed.*

I would like to undertake what might be called a postmodern reading of F.A. Hayek's notion of methodological individualism. That is, I would like to see if Hayek's guiding concerns, grouped together under the banner of "methodological individualism," are not better (and more profitably) understood when interpreted hermeneutically than when construed in accordance with the methodological postulates of modernist epistemology and the individualism peculiar to it. Running full well, I know, the risk of caricature, let me nevertheless indicate what I mean by "individualism" as it figures in the definition of modernism.

Modern science, natural or social, can be said to be "individualistic" in that it characteristically assumes the form of a *reductive* or *analytic atomism*. That is, within the modernist project "wholes" (natural or human) are to

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be made intelligible ("explained") by means of a regressive analysis which first decomposes them into their (supposedly) constituent, elementary "parts" and which then seeks to provide a theoretical (i.e., imaginative) reconstruction of these wholes solely in terms of interactions between the atomistic, externally related parts. The basic metaphysical postulate or presupposition in this epistemic undertaking is that the parts, the "atoms" or "individuals," are what are ultimately real or "objective," enjoying ontological priority. Modern, post-Cartesian, mechanistic physics is fully exemplary of this mode of thought. So likewise, in the realm of the human (the psychological), is British empiricism and its various analytic offshoots, which sought to piece together the flowing whole of psychic life (the Humpty Dumpty of analytic psychology) by means of a pseudo-scientific "association of ideas." In the realm of the social, this way of thinking has been labelled "sociological individualism" and is described by one writer as "the theory that society is to be conceived as an aggregate of individuals whose relations to each other are purely external."[1] Involved here is a conception of society according to which "social arrangements are seen as responding to the requirements of individuals with given capacities, wants, and needs."[2] Social (and political) institutions are thought of as having a merely secondary reality or ontological status, as merely the artifactual constructions of separate or isolated individuals (the Robinson Crusoes and Hobbesian hermits of libertarian economics and politics) who are fully defined in themselves as to needs, desires, rights, and so on. In our own century, that very influential movement of thought known as logical positivism or logical empiricism—whose methodological postulate was that everything that can be explained is to be explained in terms solely of elementary sense data and the conjunctive laws of logic—was, perhaps (let us hope), the last great gasp of modernist individualism, even though the latter continued to find a home in the revisionist neopositivism of Hayek's friend and associate, Karl Popper.[3]

In *The Open Society and Its Enemies* (1945), for instance, a work in which he sought to extend his normative, methodological prescriptions from the *Naturwissenschaften* to the *Geisteswissenschaften*, Popper, his criticism of Mill's psychologism notwithstanding, maintained that "one of the most praiseworthy aspects of psychologist" is that "it rightly insists that the 'behaviour' and the 'actions' of collectives, such as states or social groups, must be reduced to the behaviour and to the actions of human individuals."[4] The operative word here is "reduced." The following remark of Popper's can perhaps serve to exemplify the kind of metaphysical reductionism which permeated his thinking:

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> . . . all social phenomena, and especially the functioning of all social institutions, should always be understood as resulting from the decisions, actions, attitudes, etc., of human individuals, and . . . we should never be satisfied by an explanation in terms of so-called 'collectives' (states, nations, races, etc.).[5]

The key, giveaway words in this text are "all" and "never." In line with the either-or, all-or-nothing mentality of traditional metaphysical thinking, Popper implicitly assumed that the various phenomena—social, economic, political—which form the object of the human disciplines can only be made intelligible ("explained") in terms of *either* "collectives" *or* "individuals." In this book Popper launched a merciless (and rather intemperate) attack on Plato and Hegel for maintaining that society or the state is "more 'real' " than the individual.[6] Because he believed that such a way of thinking paves the way for an anti-individualist totalitarianism, Popper reacted, in his own properly foundationalist way, by maintaining that, no, the individual is more real than society and everything having to do with the latter must always be explained in entirely individualistic terms (subject, naturally, to the "scientific" requirement of "public" or "experimental" verification of some sort or another of these individualist, *partes extra partes* accounts—no "subjective" or "introspective" procedures allowed!).[7] Here was analytic empiricism with a vengeance.

It is only to be expected that, for political reasons, Hayek would have been greatly sympathetic to Popper's underlying, liberal concerns in this particular polemic and would even have helped in finding a publisher for it (Hayek's own attack on creeping, totalist socialism, his famous *Road to Serfdom*, was published in 1944). However, I believe that it would be doing a great disservice to Hayek were we uncritically to assume that for this reason his own version of methodological individualism is but a particular variant of the kind of epistemological-metaphysical individualism characteristic of modernism in general and of his friend Popper in particular.[8] I shall therefore, in what follows, attempt to effectuate a hermeneutical retrieval of Hayek's own thoughts on this matter. And I might as well state openly at the outset my underlying motive for, or interest in, doing so. By liberating Hayek's "methodological individualism" from the clutches of the atomistic individualism of modernism, I hope to at least suggest that the notion itself of the individual, which comes into its own only in modern times, is not something whose interpretive usefulness is confined to the now obsolete parameters of the modernist *episteme* and that a more enlightened postmodernity need be under no obligation to proclaim, as it were, the "death of the individual."

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*True Individualism or Post-Individualism?*

The text I shall principally be relying on in this particular rereading of Hayek is his paper of 1945, "Individualism: True and False," which was subsequently reprinted in 1949 in a collection of essays entitled *Individualism and Economic Order*.[9] The title of this essay is itself interesting—"Individualism: True and False." Let us then first lend an ear to some of the things the text manifestly says as to the right and wrong ways of conceiving of "individualism."

One of the first things expressed here is, interestingly enough, the author's own dislike or lack of enthusiasm for the term "individualism." "When in the preparation of this paper," Hayek writes, "I examined some of the standard descriptions of 'individualism,' I almost began to regret that I had ever connected the ideals in which I believe with a term which has been so abused and so misunderstood" (3). One of the main reasons for his nevertheless retaining it is that it at least has the merit of being opposed to the term "socialism," a term "which was deliberately coined to express its opposition to individualism." The important thing to keep in mind about "true" individualism, Hayek goes on to say, is that it is first and foremost a theory of *social* reality. "The fact," he says

> should by itself be sufficient to refute the silliest of the common misunderstandings: the belief that individualism postulates (or bases its arguments on the assumption of) the existence of isolated or self-contained individuals, instead of starting from men whose whole nature and character is determined by their existence in society.(6)

This is, I should think, as clear a repudiation as one could wish for of what I referred to above as "sociological individualism." It would be absurd, in Hayek's eyes, to want to explain social (or economic or political) order in terms of isolated, pre- or extra-societal individuals; the individual exists *as* an individual only as a member of a preexistent social order: The *whole* nature and character of individuals, Hayek clearly says, is determined by their existence in society. For Hayek, as for Aristotle, man is essentially a social animal, *zoon politikon*. As one writer observed: "In terms of sociological inquiry Hayek . . . expresses elements of a philosophy of internal relations [as opposed to the *partes extra partes* relations of modernistic atomism]. For Hayek, the individual cannot stand by himself—he is invariably an actor in a specific historical and cultural context."[10]

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Methodological individualists in general seek to formulate accounts of the "social" in terms of individual human agency, and Hayek does so also. However, it is important to note that for Hayek human action itself cannot be understood if it is viewed merely "individualistically," that is, atomistically, from the sole point of view of the individual actors themselves. The Robinson Crusoe paradigm is one to which Hayek never has recourse. He does not, for instance, believe that the artificial construct of *economic man*, i.e., a self-contained, utilitarian maximizer of self-interest and the embodiment of "conscious individual reason" (25), can serve in any useful way to render the economic order intelligible. Nor does he believe that any real light is shed on the essential make-up of a politically free society through the metaphysical postulation of autonomous ("sovereign") individuals endowed with private or natural rights (such as the right to property) existing ontologically prior to their membership in human community. For Hayek, human action, as opposed to, say, mere bodily movements, is *essentially* social; to speak of *human* action is to speak of something which one cannot even begin to describe in an adequate way without recourse to a vocabulary which is thoroughly social and intersubjective in nature. One cannot understand properly either social orders or human action from the sole point of view of the individual agents themselves—any more than, as we now know, language itself can be properly understood if it is approached from the sole point of view of the individual speaking subjects.[11] This is why, here as throughout his work, Hayek insists so much on the point that various social orders are "the result of human action but not the result of human design," and that "the spontaneous collaboration of free men often creates things which are greater than their individual minds can ever fully comprehend." (7) This last remark amounts to an unequivocal rejection of any form of atomistic individualism, as well as all those forms of methodological individualism which, in the tradition of Hobbes, maintain that no account of social phenomena is acceptable that is not formulated entirely in terms of facts about individuals.

What then, one might wish to ask, does Hayek's "individualism" actually amount to? Why even hold on to the term? In order to make some headway here it would no doubt be advisable to drop our direct approach to the text and to take up a more indirect, interpretive approach by asking *why* it is that Hayek feels obliged to subscribe to methodological individualism in the first place. Now, there is a natural tendency on the part of human beings to think that (ideally at least) one says what one says for the simple reason that this is the way the things in themselves really are and,

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accordingly, have to be said to be. But, of course, this is not really the case; it is merely a case of wishful metaphysical thinking ("If only things really were the way they're said to be!" laments Alice). Hayek opts for "individualism" for two basic reasons. The first is not because *individuals* are first in the order of being (they are not) but because the *term* "individualism" was already in being, and had been used to refer to many of the vital issues Hayek was interested in (one is never completely free in choosing one's own philosophical vocabulary). The second (and philosophically more important) reason is that this term is (for obvious linguistic reasons) the most useful to counterpose to "socialism." A general (rhetorical) rule for the interpretation of a philosopher's writings (and Hayek certainly fits under this heading) is that if you really want to understand what he is arguing *for*, you must above all understand what he is arguing *against*.

In Hayek's case, what he was arguing against was what he referred to as "collectivism" (or what others might prefer to designate as "holism"). Hayek's "methodological individualism" must in the first instance be understood "negatively," as part of an overall critique of what could be called *Promethean rationalism* or the view that "Reason, with a capital *R*, is always fully and equally available to all humans and that everything which man achieves is the direct result of, and therefore subject to, the control of individual reason" (8). "Individualism: True and False" is, like a great many of Hayek's writings, essentially a polemical work; it is a critique of what he himself refers to as "the modern mind," a rationalistic way of thinking that "will not respect anything that is not consciously controlled by individual reason" (32). Hayek's "individualism" is therefore essentially a critique of the modern idea of social planning, viz., the attempt on the part of modern man radically to reconstruct the social order—institutionally, politically, economically—in light solely of the imperatives of a rationalist, instrumental, or technocratic conception of human reason (in a relentless pursuit of what Hayek elsewhere refers to as "the mirage of social justice").[12] The peculiarity of this "collectivist" approach to social affairs is precisely that it is one which has no place for "anything that is not consciously controlled by individual reason"—in this case the reason of the social planners themselves. "Collectivism" is in fact a prime instance of the "false" individualism criticized by Hayek in this essay.[13] In the eyes of Hayek, the attempt on the part of one set of individuals (the governors of the collectivity) to order the collectivity in the light of capital-R Reason always has for its inevitable consequence the abolition of individual liberties, that is, the freedom and dignity of concretely existing, individual

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human beings (the object of concern of "true" individualism). The significance of Hayek's "individualism" is thus, in the first instance, *political*. The greater part of his essay is in fact a defense of the general principles of an "individualist system" (18), of, that is, a liberal or free social order. Thus, for Hayek, the terms "individualist" and "liberal" are interchangeable.[14] This should be enough to indicate that the term "individualist" has a special meaning for Hayek, having nothing to do with the atomistic individualism of modern laissez-faire libertarianism. The latter would be for him but yet another instance of "false" individualism.[15]

In addition to its political significance, Hayek's methodological individualism also has a fundamental "epistemological" significance.[16] It must, that is, be seen as his way of arguing against what he elsewhere refers to as *scientism*, namely, the typical modernist attempt to impose on the social sciences the methodology of the natural or physical sciences (an enterprise in which, ironically enough, Hayek's own friend, Popper, was busily engaged).[17] In this matter Hayek's guiding concerns ("the ideals in which I believe") ally him with the interpretive or hermeneutical approach to the social sciences which has come to the fore in the meantime. Like other postmodernists or post-positivists, Hayek deplores modernism's obsession with the isolated, "private," monological cognizing agent and its systematic neglect of the historical, linguistic, and practical dimensions of human being and understanding.[18] If, for instance, Hayek has no use for that referentless concept, "economic man," which rests on the "presumption that each man knows his interest best" (15), it is because he rejects the conception of *reason* attendant upon such a concept. "Reason" is not to be understood as a component part (the "property") of self-subsistent individuals; reason is something essentially intersubjective. It belongs to individuals not as isolated, "brute" units but only as they are members of society and participate in a complex network of concrete intersubjective, communicative practices. "Human Reason, with a capital *R*," Hayek says, "does not exist in the singular, as given or available to any particular person, as the rationalist approach seems to assume, but must be conceived as an interpersonal process . . . " (15). The title of one of Gadamer's books, "Reason in the Age of Science," could serve as a fitting description of Hayek's own life-long attempt to articulate a non-rationalistic, non-scientistic conception of human reason. The great question of our times, Hayek says, is "whether human reason is to place itself in chains of its own making" (32).[19]

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*Individualism, Methodological and Metaphysical*

As with liberal theory in general, the primacy accorded the individual in Hayek's thinking is *moral* rather than *ontological.*[20] Another way of expressing much the same idea would be to say that Hayek's individualism must be understood *epistemologically* and not *metaphysically*. In order to avoid being misunderstood (I am not sure that the terms "epistemologically" and "epistemological" may not be hopelessly modernistic),[21] let me attempt to say what I mean by that. A metaphysical individualism would be one which posits the ontological priority of the individual over society, "society" having only a secondary sort of reality-status. In contrast, an "epistemological" individualism would be one which maintains, not that the individual exists prior to the social or that the social can be "reduced" to the individual, but that an understanding of social orders, how they are constituted and how they function, can best be achieved by viewing them in the light of the activities of myriad *individual agents*, as, so to speak, the "in which" and "by which" individuals are able to exist *as* individuals. This would be *methodological* individualism in the proper or "true" sense of the term. A classic example of this general sort of approach is the one adopted by Husserl in the fifth of his *Cartesian Meditations*, in which he sought to give an account of the "constitution" of the intersubjective.

Like Hayek, who maintained that the need to account for the existence of supra-individual institutions is "perhaps the most significant problem of the social sciences,"[22] Husserl felt an imperative necessity to demonstrate that the phenomenological method, which rests on the acts of individual consciousness, can nevertheless give a fully adequate accounting of the undeniable and irreducible reality of the intersubjective. Thus the "egological" approach adopted by Husserl in the *Cartesian Meditations* was meant precisely to set to rest all charges of solipsism leveled against phenomenology and to demonstrate that, as Merleau-Ponty expressed it, "transcendental subjectivity is an intersubjectivity." In a similar fashion Hayek insisted that it is actually only from the perspective of a methodological individualism that it makes sense to speak of the intersubjective as an irreducible realm:

> One curious aspect of this problem which is rarely appreciated is that it is only by the individualist or compositive method that we can give a definite meaning to the much abused phrases about the social processes and formations being in any sense "more" than "merely the sum" of their parts, and that we are enabled to understand how structures of interpersonal relation-

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ships emerge, which make it possible for the joint efforts of individuals to achieve desirable results which no individual could have planned or foreseen.[23]

Paul Ricoeur has drawn an interesting comparison between Hayek's "methodological individualism" and Husserl's "egology." He writes:

> One can indeed ask whether, to understand 'we', it is not first of all necessary to know the meaning of 'I'. But such a derivation of 'we' from 'I' as sketched by Husserl in his fifth *Cartesian Meditation*, is not a scientific hypothesis: it concerns the origin of meaning though it is in no way empirical; it consists in saying that one cannot understand the meaning of an institution, a group belief or a collective symbolism unless these phenomena are related to a 'we'. But one can speak of a 'we' only if every member of it can say 'I'; thus meaning proceeds from 'I' to 'we' and thence to the group, the beliefs, the institutions. In this sense, Hayek's . . . thesis might be justified, but it would no longer be the thesis of a *methodological* individualism.
>
> Human phenomena can accordingly be regarded as irreducibly social for the purposes of description and explanation; their reduction into terms of an 'I' is relevant to an analysis of a different sort, which has nothing to do with the construction of a theory of social phenomena.[24]

It is not at all clear to me why Ricouer says that Hayek's individualism is not to be viewed as a *methodological* individualism. Nonetheless, the important point that I see Ricoeur as making is that a properly methodological account of the "social" from the point of view of the "individual" is not to be confused with a "scientific" or "empirical" account of the social (in the way, for instance, that one might wish to explain the macro properties of a gas in terms of the micro properties of its constituent molecules); in other words, no attempt is made here to base the existence of society on the prior existence of the individual or to derive social categories from purely individualistic ones, from as it were, individual psychology. For methodological individualism (as represented by Hayek, at least), the individual is not empirically or ontologically prior to the social; the individual is prior not in the order of reality but in the order of meaning (for a "meaning-analysis" of a Husserlian-phenomenological or "transcendental" sort). The whole point of Hayek's methodological individualism is not to reduce the whole to the sum of its parts (in the manner of what Hayek refers to as the "resolutive" or "analytic" approach) but to remind us that these irreducible "wholes" are nevertheless not *things* — ontological entities (such as a group mind) capable of exerting efficient

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causality on individuals and, thus, of "explaining (in the scientistic sense) their actions"—but are, rather, as it were, *meaning-objects* which are not understandable apart from the categories of human understanding and agency, apart, that is, from the "individual."[25] While the "social" may be said to enjoy a *hermeneutical* priority, in the sense that nothing having to do with the human *qua* human can be understood properly apart from social orders which are irreducible to individual consciousness and reason, we must not for all that lose sight of the fact that, as Ricoeur says in a properly Hayekean vein, "The only reality, in the end, are individuals who do things."[26] And, we might add, who are incessantly *interpreting* what they do, generating and sustaining by means of this self-interpretive activity the various social orders in which, as individuals, they have their being (from which it follows, as a methodological norm for social theory, that the social orders themselves are to be understood interpretationally, with reference to the individuals who "live" them).[27]

## *The Reification of the Individual*

What are we to conclude from this hermeneutical reassessment of Hayek's notion of methodological individualism? Perhaps the most significant lesson has to do with the very notion of the individual. Like his contemporary, Frank H. Knight, who also pointed out the need for an interpretive social science, Hayek tells us that we ought not to take the individual as something "given."[28] Hayek invites us to conceive of the individual in a properly postmetaphysical fashion. What the term "individual" refers to is not some kind of ultimate metaphysical reality (from which social reality could be foundationally reconstructed, tinker-toy fashion); what it designates is, rather, a certain *norm* or *value*. As such, its significance is both theoretical and practical. In regard to social *theory*, it functions as an emphatic reminder that however much the social order may, like language itself, be unanalyzable in purely individualist terms, suprapersonal or "objective" orders must ultimately, if they are to have meaning in any proper sense of the term, be related back to concrete individual subjects and agents, just as language, however impersonal or suprapersonal a system it may be when viewed formalistically (e.g., cybernetically), must ultimately be understood as the means whereby individual speaking subjects come to some personal understanding of the world and of themselves. Theoretically, therefore, Hayek's notion of the individual serves as a powerful antidote to what hermeneutical theory refers to as "objectivism." In regard to the realm of actual *practice*, Hayek's

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"individualism" serves as a stern reminder that any attempt to alter or control the social order with an eye solely to humankind in the aggregate ("collectives") can only have as its outcome the fabrication of the most repressive and inhumane of regimes.

Hayek's "methodological individualism" amounts, in the last analysis, to a systematic attack on a widespread and highly pernicious form of thinking, one which might aptly be labeled "methodological reification." The latter is the name for an error to which human understanding is naturally prone and which it inevitably commits in the course of its various theoretical pursuits when, carried away by "the spirit of abstraction" (as Gabriel Marcel called it), it is led to take its methodological abstractions for metaphysical realities; when, as Husserl would say, it takes for true being what is actually only a method.[29] This is the error inherent in all forms of "collectivism" for which abstractions such as Society, the State, the Proletariat, or such like, are things having greater reality and (consequently) worth than that belonging to actual, acting individuals. The same error is at work in all forms of modernistic, atomistic individualism which, contrary-wise, take the fully-formed, autonomous, and responsible individual as something "given" and which postulate the ontological priority of the individual over society. "Individuals," however, are no more real, in any ontological sense, than are "collectives." The term "individual," as I said above, refers not to a thing but to a value, in the light of which, methodological individualism maintains, we can both better understand and better organize our collective lives—"the realm," as Gadamer would say, "of interpretation and intelligibility in which we have our common being."[30] The ultimate meaning of Hayek's "individualism," it could be said in conclusion, is that people can exist as *individuals* only to the degree that they exist as members of *communities*, ones, to be sure, which are not centrally ("rationally") planned and controlled by a certain number of individuals, but which are the spontaneous and unplanned outgrowths of all of their free interactions and which, as such, are greater than the mere sum total of their own individual "minds."

NOTES

1. M. Ginsberg, *On the Diversity of Morals* (London, 1956, 151); as cited by Steven Lukes, "Types of Individualism," in P.P. Wiener, ed., *Dictionary of the History of Ideas*, vol. 2 (New York: Charles Scribner's Sons, 1973), 600a.
2. Lukes, 599b.

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3. And even though it appears today to persist undaunted in Artificial Intelligence and what goes under the rather presumptuous heading of "Cognitive Science." An atomistic or "analytic" "naturalist" (as he styles himself) such as Ronald de Sousa betrays his utter lack of understanding of the hermeneutical critique of AI when, in response to Charles Taylor, he says: ". . . Taylor's criticism seems misconceived. Instead of telling us that some model will never work, he should be contributing positive suggestions to the enterprise of *building an original-purpose, self-interpreting machine* (OPSIM). But on this there are *no* useful suggestions at all coming from the hermeneutic camp." To this one can only say, *Sic!* (Ronald de Sousa, "Seizing the Hedgehog by the Tail: Taylor on the Self and Agency," paper presented at the 1987 meeting of the Canadian Philosophical Association, Hamilton, Ontario.)
4. K.R. Popper, *The Open Society and Its Enemies*, vol. 2 (London: Routledge and Kegan Paul, 1966), 91.
5. *Ibid.*, 98.
6. See *ibid.*, 99.
7. The following comments of Popper are too revealing not to be quoted *in extenso*:

> A remark may be added here concerning the often repeated assertion that the social sciences operate with a method different from that of the natural sciences, in so far as we know the 'social atoms', i.e. ourselves, by direct acquaintance, while our knowledge of physical atoms is only hypothetical. From this, it is often concluded (e.g. by Carl Menger) that the method of social science, since it makes use of our knowledge of ourselves, is psychological, or perhaps 'subjective', as opposed to the 'objective' methods of the natural sciences. To this, we may answer: There is surely no reason why we should not use any 'direct' knowledge we may have of ourselves. But such knowledge is useful in the social sciences only if we generalize, i.e. if we assume that what we know of ourselves holds good for others too. But this generalization is of a hypothetical character, and it must be tested and corrected by experience of an 'objective' kind. . . . Undoubtedly, in the case of 'social atoms' we are in certain ways more favourably situated than in the case of physical atoms, owing not only to our knowledge of ourselves, but also to the use of language. Yet from the point of view of scientific method, a social hypothesis suggested by self-intuition is in no different position from a physical hypothesis about atoms. The latter may also be suggested to the physicist by a kind of intuition about what atoms are like. And in both cases, this intuition is a private affair of the man who proposes the hypothesis. What is 'public', and important for science, is merely the question whether the hypotheses could be tested by experience, and whether they stood up to tests. (*The Open Society and Its Enemies*, vol. 2, 324 n14)

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As this text amply demonstrates, Popper's version of MI was fully an instance of what Hayek himself referred to as *scientism* (see Hayek, *The Counter-Revolution of Science: Studies on the Abuse of Reason*, 2nd ed. [Indianapolis: Liberty Press, 1979], 24). In opposition to all forms of scientism (the illegitimate extension of natural scientific method into the social sciences [*à la* Popper]), Hayek's version of MI was his way of implementing the "subjectivism" of the Austrian school of economics and has greater affinities, both conceptual and historical, with the hermeneutical and phenomenological traditions than with the positivistic-empiricistic tradition in which his fellow Viennese Popper was mired.

8. For an examination of the personal relationship between Hayek and Popper, see Robert Nadeau, *Popper, Hayek et la question du scientism* (Université du Québec à Montréal: Cahiers d'épistemologie, no. 8506). Nadeau freely acknowledges that "chacun défend une philosophie des sciences sociales qui est, à bien y regarder, aux antipodes de celle de l'autre" (4). Later in this essay Nadeau writes: "Alors que Hayek condamne le projet de faire emprunter aux diverses disciplines des sciences sociales les mêmes voies de développement que celles qui ont réussi en physique, en chimie et en biologie, Popper pense qu'au contraire, c'est là la route de leur succès éventuel. . . . Popper est 'scientiste' au sens que Hayek donne à ce terme" (57, 60).

   Popper's MI appears in the last analysis to amount to not much more than a rejection of "holism" in social theory (i.e., the attempt to elaborate all-encompassing explanations of social phenomena and, on the basis of this, predictions of historical developments—a position Popper refers to, rather oddly, as "historicism"), coupled with a call for the application of the methods of the natural sciences to human affairs in such a way as to allow for *piecemeal* social engineering—in sum, a mild version of the "scientistic" position that Hayek had already criticized under the heading of "the engineering point of view" (*Counter-Revolution*, 166).

9. F.A. Hayek, *Individualism and Economic Order* (London: Routledge and Kegan Paul, 1976).

10. Chris Sciabarra, "The Crisis of Libertarian Dualism," *Critical Review* 1, no. 4 (Fall 1987): 90.

11. This basic hermeneutical point has been made most forcefully by Charles Taylor. In his well-known article "Interpretation and the Sciences of Man" (reprinted in Taylor, *Philosophy and the Human Sciences* [Cambridge: Cambridge University Press, 1985]), Taylor, using as an example that particular social practice known as "negotiation," argues that:

> . . . what we are dealing with here is not subjective meaning which can fit into the categorical grid of behavioral political science, but rather intersubjective meanings. It is not just that the people in our society all or mostly have a given set of ideas in their heads and subscribe to a given set of goals. The meanings and norms implicit in these practices are not just in the minds of the actors but are out there

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> in the practices themselves, practices which cannot be conceived as a set of individual actions, but which are essentially modes of social relation, of mutual action.
>
> The actors may have all sorts of beliefs and attitudes which may be rightly thought of as their individual beliefs and attitudes, even if others share them; they may subscribe to certain policy goals or certain forms of theory about the polity, or feel resentment at certain things, and so on. They bring these with them into their negotiations, and strive to satisfy them. But what they do not bring into the negotiations is the set of ideas and norms constitutive of negotiation themselves. These must be the common property of the society before there can be any question of anyone entering into negotiation or not. Hence they are not subjective meanings, the property of one or some individuals, but rather intersubjective meanings, which are constitutive of the social matrix in which individuals find themselves and act. (36)

When it is realized that negotiation is itself a social institution, the classic libertarian attempt to derive social institutions from presocietal, "sovereign" individuals (possessed of God-given [onto-theo-logical] "property rights" over their individual bodies) negotiating among themselves (with the purpose of maximizing their own private "utility") loses whatever semblance of plausibility it might have had for modernist ways of thinking.

Speaking of language itself, Taylor remarks:

> What is really wrong with the account [of language] in terms of communication [of information] is that it generally fails to recognize public space. It deems all states of knowledge and belief to be states of individual knowers and believers. Communication is then the transmittal, or attempted transmittal, of such states. (Taylor, *Human Agency and Language* [Cambridge: Cambridge University Press, 1985], 259.)

For Hayek, language is a prime example of a social phenomenon having "a definite order which is not the result of any conscious design," "not the result of anybody's design" (*Counter-Revolution*, 69).

12. Subtitle of vol. 2 of *Law, Legislation and Liberty* (Chicago: University of Chicago Press, 1976).
13. That modern "collectivism" is in fact but a variant of the atomistic ("false") individualism of modernity can be readily appreciated when we recall that all socialist attempts from the French Revolution on to reinforce the power of the state in order better to advance the "common good" have invariably had as their result an increased polarization of society, as a number of social commentators besides Hayek have pointed out (including, of course, Alexis de Tocqueville). That is, the net result is, on the one hand, the establishment of an all-powerful and all-pervasive state and, on the other hand, the reduction of the citizenry to a disorganized mass of isolated individuals whose only common bond is the centralized power of the collectivity itself. Thus in the Soviet Union and China associations of individuals which are

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not state-controlled or state-licensed are outlawed. It is most appropriate that collectivist ideology should refer to the citizenry as "the masses"; in order to exist, collectivist regimes do indeed necessitate the "massification," which is to say, the atomization of society. As Hayek observes: " . . . false individualism . . . wants to dissolve all these smaller groups into atoms which have no cohesion other than the coercive rules imposed by the state, and . . . tries to make all social ties prescriptive, instead of using the state mainly as a protection of the individual against the arrogation of coercive powers by the smaller groups" (23). The net result is a state of affairs "in which the individuals have become interchangeable units with no other definite or durable relations to one another than those determined by the all-comprehensive organization" (27). *Hayek's opposition to "collectivism" is, therefore, one with his opposition to the atomistic individualism of modernity* (" . . . individualism is . . . less 'individualistic' than socialism" [31]). "What individualism teaches us," Hayek says by way of a final summation, "is that society is greater than the individual only in so far as it is free" (32). For additional remarks on the relation between collectivist theorizing and rationalistic individualism see Hayek, *The Counter-Revolution of Science*, 152.

14. See for instance *Individualism and Economic Order*, 20.
15. Hayek writes: "True individualism is, of course, not anarchism, which is but another product of the rationalistic pseudo-individualism to which it is opposed. It does not deny the necessity of coercive power but wishes to limit it . . ." (*Individualism*, 16–7). The crucial word here is *limit*. Hayek's response to anarchistic, anti-state libertarianism of the sort espoused by Murray N. Rothbard is that "laissez-faire" positions of this sort "do not tell us what are and what are not desirable or necessary fields of government activity" (17). The latter issue constitutes one of the prime concerns of liberal theory in the proper or, as Hayek might say, "true" sense of the term and one of the predominant concerns in Hayek's writings. On p. 21 Hayek seeks to "stress that there are further (and noncoercive!) functions of government beyond the mere enforcement of civil and criminal law [the 'minimal,' nightwatchman state of libertarianism] which can be fully justified on individualist principles."
16. For a discussion of the epistemological aspects of MI (from which point of view it merges with the "subjectivism" of Austrian economics) see *Counter-Revolution*, ch. 4. It could be said that the basic methodological postulate of MI is that social theorists should not attempt to understand a social whole, such as a particular economic institution, in terms merely of the conscious views of it entertained by participants in it (nor should they reduce it to the macro view of it entertained by themselves) but should instead seek to determine how it is the largely unintended product or outcome of the beliefs which actually do motivate the individual actors (and which may have very little resemblance to the ideas they themselves form about its supposed make-up and workings). Hayek writes:

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> The changes in the opinions which people hold about a particular commodity and which we recognize as the cause of a change in the price of that commodity stand clearly in a different class from the ideas which the same people may have formed about the causes of the change in price or about the "nature of value" in general. Similarly, the beliefs and opinions which lead a number of people regularly to repeat certain acts, for example, to produce, sell, or buy certain quantities of commodities, are entirely different from the ideas they may have formed about the whole of the "society," or the "economic system," to which they belong and which the aggregate of all their actions constitutes. The first kind of opinions and beliefs is a condition of the existence of the "wholes" which would not exist without them; they are, as we have said, "constitutive," essential for the existence of the phenomenon which the people refer to as "society" or the "economic system," but which will exist irrespectively of the concepts which the people have formed about these wholes. . . . The problems which they [the social sciences] try to answer arise only insofar as the conscious action of many men produce undesigned results, insofar as regularities are observed which are not the result of anybody's design. (*Counter-Revolution*, 63–4, 68–9.)

MI thus incorporates elements of a "hermeneutics of suspicion."

17. For a discussion of Hayek's critique of scientism and its hermeneutical significance, see my "Hayek and the Interpretive Turn," *Critical Review* 3, no. 2 (Spring 1989): 169–85. Hayek's anti-scientism is all the more noteworthy in that, like Popper, he himself was originally "thoroughly imbued with a belief in the universal validity of the methods of the natural sciences," due in part to the fact that his early training in philosophy and scientific method "was entirely in the school of Ernst Mach and later of the logical positivists" (Hayek, *Individualism*, 57–8).

18. > Though our civilization is the result of a cumulation of individual knowledge, it is not by the explicit or conscious combination of all this knowledge in any individual brain, but by its embodiment in *symbols* which we use without understanding them, in *habits* and *institutions, tools* and *concepts*, that man in society is constantly able to profit from a body of knowledge neither he nor any other man completely possess. Many of the greatest things man has achieved are the result not of consciously directed thought, and still less the product of a deliberately coordinated effort of many individuals, but of *a process in which the individual plays a part which he can never fully understand.*
>
> (*Counter-Revolution*, 149–50, emph. added.)

In a footnote to this text Hayek, as he so often does, illustrates his point with the example of language ("learning to speak").

19. "The belief that only a synthetic system of morals, an artificial language, or even an artificial society can be justified in an age of science, as well as the

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increasing unwillingness to bow before any moral rules whose utility is not rationally demonstrated, or to conform with conventions whose rationale is not known, are all manifestations of the same basic view which wants all social activity to be recognizably part of a single coherent plan" (*Individualism*, 25).

20. In an article entitled "Liberalism in Search of Its Self," Dennis Auerbach alludes to "the increasing philosophical turn away from viewing man as an ontological entity." For contemporary philosophy, as Auerbach recognizes, man "has become a mere locus, a creation of language and of evolution, who can only attain to something substantial by giving himself over completely to the social bond." To continue to affirm "the liberal vision" in the light of this particular postmodern development, Auerbach goes on to say,

> . . . it is not necessary to deny the historicity of our understanding or to demand the universal validity of our concepts. It is only necessary that we recognize the liberal vocabulary as the only one which, here and now, offers the possibility of locating in the private man a constraint on the exercise of unlimited political authority and a rationale for challenging the specter of the unbounded state as it has manifested itself in our century. The private sphere is no longer pre-social, no longer literally "inside" man set in opposition to the external world—as it had been in traditional liberalism. It is rather *in* the social world, a product of our choice, of a language for describing ourselves which we have learned from tradition and continue consciously to affirm. (*Critical Review* 1, no. 3, [Summer 1987]: 27.)

The Austrian and hermeneutical economist Don Lavoie points in a similar fashion to the need for contemporary liberal theory to rid itself of its modernist metaphysical baggage when he remarks:

> Many attempts to defend the liberal order rendered themselves susceptible to socialist criticisms by demanding a dubious metaphysics, a secular teleology that requires an implausible belief in a suprahistorical human nature whose essence is to be free and individual. Philosophy is strewn with unsuccessful attempts to ground rights as "natural." There is simply too much factual evidence of men and women acting contrary to what the philosophers consider the natural behavior of "man *qua* man" to take much of this metaphysicl case for rights seriously. ("Political and Economic Illusions of Socialism," *Critical Review* 1, no. 1 [Winter 1986–87]: 32).

For an attempt to present and defend a coherent and comprehensive defense of liberal thought on the basis of a postmodern theory of communicative rationality see G.B. Madison, *The Logic of Liberty* (Westport, Conn.: Greenwood Press, 1986).

21. In an article with the provocative title, "Overcoming Epistemology," Charles Taylor observes how "epistemology, once the pride of modern philosophy, seems in a bad way these days." Taylor contends that "a trend toward the

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repudiation of the whole epistemological enterprise" is characteristic of both the "Continental" and Anglo-Saxon philosophical worlds. ("Overcoming Epistemology," in K. Baynes, J. Bohman, and T. McCarthy, eds., *After Philosophy: End or Transformation?* [Cambridge, Mass.: MIT Press, 1986], 464–5). On p. 481 Taylor writes:

> In moral thought, what emerges from this critique [of the modernist *reason* of the Enlightenment] is a rejection of moralities based purely on instrumental reason, viz., utilitarianism; and also critical distance from those that are based on a punctual notion of the self, such as the various derivations of Kant. . . . In social theory, the result is a rejection of atomist theories, of reductive causal theories (such as "vulgar" Marxism or sociobiology), and of theories that cannot accommodate intersubjective meaning. Social science is seen as being closer to historiography of a certain kind. In politics, the anti-atomist thrust of the critique makes it hostile to certain forms of contemporary conservatism, but also to radical doctrines of nonsituated freedom. I believe there is a natural affinity between this critique, with its stress on situated freedom and the roots of our identity in community, on the one hand, and the civic humanist tradition on the other, as the works of a number of writers, from Humbolt to Arendt, testify.

22. Hayek, *The Counter-Revolution of Science*, 147.
23. *Ibid.*, 151–2. Hayek goes on to say: "The collectivist, on the other hand, who refuses to account for the wholes by systematically following up the interactions of individual efforts, and who claims to be able directly to comprehend social wholes as such, is never able to define the precise character of these wholes or their mode of operation, and is regularly driven to conceive of these wholes on the model of an individual mind."
24. Paul Ricoeur, *Main Trends in Philosophy* (New York: Holmes and Meier, 1979), 138.
25. Social orders, Hayek says, "cannot be stated in physical terms . . . if we define the elements in physical terms no such order is visible, and . . . the units which show an orderly arrangement do not (or at least need not) have any physical properties in common (except that men react to them in the 'same' way — although the 'sameness' of different people's reaction will again, as a rule, not as definable in physical terms). It is an order in which things behave in the same way because they *mean* the same thing to man." (*Counter-Revolution*, 69–70, emph. added.)
26. Paul Ricoeur, "History as Narrative and Practice," *Philosophy Today* (Fall 1985): 216. The context in which this remark occurs is significant from our present point of view, since, as in the case of Hayek, what Ricoeur means to oppose in affirming the individual is precisely the Marxian hypostatization of supra-individual, social "forces." Marx, Ricoeur says,

> . . . established what we might call the new heroes of history, no longer persons, not even communities made up of persons, but forces them-

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> selves. This new kind of history is at the origin of a kind of dogmatism which recognises only elements that cannot be personalized – productive forces, the modes of production – capitalism. But I wonder whether the entities we establish on this level are but methodological constructs destined to support that other history – the history of real people who after all are the members who make up social classes. Social class is itself an abstraction. The only reality, in the end, are individuals who do things.

The close affinity between Hayek, the individualist, and Ricoeur, the hermeneuticist, is also attested to by the remarks Ricoeur makes in regard to Hegel's thesis as to the inseparability of liberty and institutions (a position Hayek firmly maintains in his own right). In opposition to the anarchistic glorification of "la liberté sauvage" on the part of a number of poststructuralist writers, Ricoeur wholeheartedly endorses the position maintained by Hegel, namely that institutions ("un Etat de droit) are indispensable for the existence and maintenance of liberty. Ricoeur accepts the ideas that "c'est seulement dans la forme de l'Etat libéral que cette synthèse [de la liberté et de l'institution] peut être vue à l'oeuvre dans l'épaisseur de l'histoire." However, what he objects to in Hegel is (in a properly Hayekean fashion) the latter's hypostatization of "objective spirit" (the intersubjective order), which leads directly to a hypostatization of the state. In opposition to this, Ricoeur endorses a form of *methodological* individualism. Referring to both Husserl's "egological" and Weber's individualist approach to social phenomena, Ricoeur says: "Cet *individualisme épistémologique* [emphasis added] me paraît mieux capable de résoudre théoriquement la dialectique de la liberté et de l'institution dans la mesure où les institutions apparaissent comme des objectivations, voire des réifications des relations intersubjectives qui ne présupposent jamais, si j'ose dire, un supplément d'esprit." See Ricoeur, "La raison pratique," in T. F. Geraets, ed., *Rationality To-Day/La rationalité aujourd'hui* (Ottawa: Editions de l'Université d'Ottawa, 1979), 28–39.

27. "The individuals are merely the *foci* in the network of relationships and it is the various attitudes of the individuals toward each other (or their similar or different attitudes toward physical objects) which form the recurrent, recognizable and familiar elements of the structure" (*Counter-Revolution*, 59).
28. For Knight on the need for an interpretive approach to the social sciences see *On the History and Method of Economics* (Chicago: University of Chicago Press, 1963), 177; on the "individual" and the relation between the individual and society see *ibid.*, 123–4, 136, 156, 162, 295; as well as *Freedom and Reform: Essays in Economics and Social Philosophy* (Indianapolis: Liberty Press, 1982), 223, 227, 241, 263–4, 276, 363–4, 373.
29. The innate proclivity for "methodological reification" is what Habermas is referring to when he says: "A possibility for error is built into the process of becoming conscious: the hypostatization of one's own accomplishments into

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independently existing entities" (Jürgen Habermas, *The Philosophical Discourse of Modernity* [Cambridge, Mass.: MIT Press, 1987], 77).

30. Hans-Georg Gadamer, "Rhetoric, Hermeneutics, and the Critique of Ideology," in K. Mueller-Vollmer, *The Hermeneutics Reader* (New York: Continuum, 1985), 279.

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*Chris Sciabarra*

# FROM ARISTOTLE TO MARX

ESSENTIALISM IN THE THOUGHT OF KARL MARX

by Scott Meikle

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*Meikle emphasizes the roots of Marx's dialectical method in Aristotelian essentialism and organicism. This is shown to constitute a challenge to liberal scholars to rethink their methodological premises. Though many liberals claim Aristotle as their intellectual forebear, they have not grasped the Aristotelian propensity for holistic analysis of social phenomena—as Marx did. In order to reclaim Aristotle's legacy, liberals must reformulate their economic and political ideas within a broader context that takes account of historical, cultural and socio-psychological factors.*

While it is generally recognized that Marx owed much to Hegel, it is sometimes overlooked that both theorists were profoundly influenced by the works of Aristotle. *Essentialism in the Thought of Karl Marx* offers a provocative analysis of the dialectic as a descendant of Aristotelian essentialism and organicism. This constitutes an important contribution to Marx scholarship. While the Aristotelian influence on Marx has been noted by other authors, no previous work succeeds in establishing this intellectual bond with such clarity. In the process, Meikle challenges some of liberalism's most precious intellectual presuppositions concerning Marxist method. More importantly, his work enables liberal scholars to identify significant and promising dialectical tendencies within the works of some of their own theoretical representatives.

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### *Marx's Aristotelian Roots*

Meikle argues that since the days of ancient Greece, there has existed a philosophical dichotomy between methodological atomism and essentialism. The atomists see the atom as the primary ontological and epistemological unit. Atomism is the basis of reductive materialism because it conceives "an ontology of simples, of basic building-blocks lacking complexity" (154). It finds modern-day expression in positivistic social science, which focuses almost exclusively on observable, material phenomena. Positivism dismisses essentialism as a "metaphysical" philosophical doctrine.

Essentialism opposes reductionist and positivist methods. It views the whole as a dynamic, evolutionary, organic *system*. The whole is constituted by parts which are internally related and reciprocally interactive. Marx's essentialist methods investigate the nature of the totality and its teleological functions. This Marxian essentialism, Meikle argues, owes much to the pioneering thought of Aristotle.

Meikle's discovery of an explicitly Aristotelian ontology at the core of Marx's method enlists him in the growing ranks of theorists who are convinced of the strong links between Aristotle and Marx. In 1936, Sidney Hook claimed that Marx's "dialectical materialism has its basis, but not its fulfillment in Aristotle's naturalism." Hook recognized the Hegelian element in Marx's philosophical method, but he argued that Marx's "fundamental metaphysical starting point . . . was Aristotelian."[1] Indeed, the Aristotelian conception is the foundation of Marx's understanding of the necessary internal relationship between theory and practice, thought and activity.

More recently, Richard Bernstein uncovered a correlation between Aristotelian and Marxist notions of praxis.[2] Bernstein argued that the Aristotelian notion is not a static, one-dimensional formulation. Aristotle saw human reason, not merely as a faculty or capacity, but as an actuality. "When Reason is fully actualized, both the understanding and what is understood are characterized as rational: they are, according to Aristotle, identical."[3] Bernstein suggests that this Aristotelian conception is fundamentally dynamic. "The actual is not a static reality, but the process of activity itself manifested in a variety of forms."[4] Bernstein claims that Marx appropriates the Aristotelian concepts of actuality and potentiality. By understanding what "man" is, Marx shows an appreciation for what he can become. His chief difference with Aristotle is that Marx views human nature as dependent upon changing historical circumstances.[5]

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This historicist element in Marx's thought introduces a relativist dimension to man's nature.

Carol Gould, in her brilliant examination of *Marx's Social Ontology*, argues that Marx gives an Aristotelian ontological primacy to "concretely existing individuals who constitute . . . social reality by their activity."[6] Marx does not view individuals apart from their concrete relations, nor does he see these relations as disembodied abstractions. Thus individuals do not exist apart from their relations. Marx embraces an Aristotelian conception of the individual as "a concrete individual . . . of a given kind . . . a numerically distinct, concretely existing person characterized by a given mode of activity."[7] Like Bernstein, Gould contends that Marx's most significant departure from Aristotelianism is his insistence that the essence of human nature changes historically, developing over time.

Other writers, too, have seen a Marxian-Aristotelian link. Frederick Copleston notes a profound continuity in the common epistemological and ontological realism of Aristotelian, Thomistic and Marxist philosophy.[8] And Herbert Marcuse suggests in Reason and Revolution that Hegel, and Marx after him, rediscovered the extremely dynamic character of the Aristotelian metaphysic, which treats all being as process and movement.[9] For Marcuse, Hegelian "logic" does not invalidate formal logic; it merely gives "content" to the principle of identity.

These interpreters complement Marx's own acknowledged debt to Aristotle. Marx recognized Aristotle as "the greatest thinker of antiquity," who "was the first to analyze so many forms, whether of thought, society, Nature, and amongst them also the form of value."[10] Engels called Aristotle "the Hegel of the ancient world" who "had already analyzed the most essential forms of dialectic thought."[11] Lenin too, argued that within Aristotle can be found "the living germs of dialectics *and inquiries* about it."[12]

## *Essentialism and Dialectics*

Certain liberal scholars condemn Marxist dialectics for its embrace of the "ambiguous" notion of "contradiction." Karl Popper argues, for instance, that the dialectic discards the law of non-contradiction.[13] This suggests that one of the most important conceptual categories of dialectical method is in direct conflict with Aristotle's own laws of logic. But Popper completely misunderstands the nature of dialectics. Meikle writes that where Aristotle saw the essence of a thing in terms of its unfolding

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ontological unity, Marx and Hegel view this as a unity "in contradiction." The Marxian-Hegelian understanding of "contradiction" is thus *not* an invalidation of Aristotelian logic. Rather, it is an *ontological* category which explains the dynamism and movement of a whole. It expresses the instability "between what exists and what is in the process of coming-to-be" (36).

Dialectics does not deny the logical proposition of identity, that A equals A. It gives the law of identity an ontological emphasis which derives from the original Aristotelian metaphysic. Thus, A *does* equal A, but A is conceived as a relational unit. As Bertell Ollman writes, "given these are 'A's' relations, this is what 'A' must become and, in the becoming, 'A' may be said to obey the law of its own development."[14] This development takes place within an organic whole in which certain processes are both supportive and destructive of each other.

Meikle contends that the contradictions identified by Marx are not those of formal logic. They are contradictions of material and historical content, of being itself. They are "immanent" contradictions, constitutive of the real nature or essence of an entity. These contradictions develop and grow throughout the life-process of the entity. For Marx, "the law of the normal life of the entity or essence is the law of the unfolding of its constitutive contradiction" (118–9).

Marxian essentialism sees contradictions as both actual and potential. They are actual since they *exist*. They constitute the nature of an entity. But they are also potential, since their existence forms the basis of an entity's development over time. Crises that occur in the life-process of an entity are real manifestations of the entity's internal contradictions.

Meikle's exploration of the concept of "contradiction" is similar to that of Robert Heilbroner. Characterizing the concept as a *relational* (rather than logical) construct, Heilbroner offers an important conceptual clarification. He writes,

> The *logical* contradiction (or "opposite" or "negation") of a Master is not a Slave, but a "non-Master," which may or may not be a slave. But the *relational* opposite of a Master is indeed a Slave, for it is only by reference to this second "excluded" term that the first is defined.[15]

Thus, in each "contradiction" that Marx uncovers, there is a sense in which one element cannot exist without the other since each is a precondition of the other's existence. Things that appear separate and opposed reciprocally presuppose each other. There is an organic conjunction of polar factors which propels the whole toward some kind of resolution.

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Heilbroner views dialectical "contradiction" as a Heraclitean derivative. Unlike Heilbroner, though, Meikle argues for the Aristotelian basis of dialectical insight. Meikle contends that the achievements of Aristotle were appropriated by Hegel, who replaced eighteenth-century atomist premises with Aristotelian essentialist and organicist categories. Like Aristotle, Hegel "conceives the form of law in terms of the realization of potentialities in a whole which has an essence in which those potentialities inhere" (31). It is the development of these potentialities over time that constitutes the "unfolding" of an entity's "contradictions." Hegel, however, views time teleologically. He conceptualizes world history as a series of stages "in each of which a higher level of human consciousness of freedom is attained" (32). Hegel applied Aristotelian organic categories not just to nature, but to history as well.

According to Meikle, then, Marx seeks "to transpose Hegel into the form of Aristotelian materialism without losing what Hegel has gained" (43). Marx conjoins Hegelian historicism and Aristotelian essentialism, and achieves a structured critique of classical political economy and its "analytical methods." The political economists created a model of static equilibrium in which all social incompatibilities are identified as apparent, rather than real. However, Marx's dialectical essentialist method views these incompatibilities as the basis for social movement. Contradictory forces are "made compatible in reality through their interweaving, changes of form, and sometimes by forcible and violent readjustments, within the continuing movement. Movement allows incompatibles to survive together, at least for a while." Marx criticizes the classical economists who abstracted this movement from the social whole. They reconciled incompatible social forces by creating artificial conceptual consistency. They were unable to grasp that "a complex whole can contain contradictions *through movement*" (69).

Unlike the methods of classical political economy, Marx's dialectic compels the social scientist to reject static conceptualization, and to identify the nature of an entity as internally related to its "typical forms of movement." Marx's method achieves this dynamism because "it incorporates, rather than banishes, the *time* dimension of *movement*. It does not need to remove them because it is not embarrassed by them" (69).

### *Essentialism and Historicism*

Meikle argues that Marx's rejection of the ahistorical, analytical methods of "bourgeois" social science illustrates his acceptance of Aristotelian

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ontological categories. This insight is one of Meikle's most important contributions to Marx scholarship. Previous authors, such as Bernstein and Gould, suggested that the historical dimension signifies a Marxian *departure* from Aristotelianism. Meikle argues that Marx's emphasis on the dynamic role of history is in basic agreement with the Aristotelian conception of time. For Aristotle, "an essence is a locus of change and motion. . . . Aristotle . . . makes time ontological as a function of the movement and change of real existents" (165). Like Aristotle, Marx incorporates this temporal element into his conceptual categories. He sees change as immanent to and constitutive of the essence of real entities.

For Marx, the central "entity" which must be scrutinized is capitalism, an organic and historical system that is a spontaneous, unintended consequence of the intentional interactions of real human individuals. Yet, the Marxian approach is not merely historical. Its essentialist character traces both the actual means by which the market economy evolves, and the "value-form" in its "typical life process," that is, its "process of decay and passing-away." For Marx, capitalism fully realizes the value-form and "must, of its nature, develop into another form of society . . ." (65).

Marx's essentialism utilizes the premises of dialectical method in its construction of a theory of history and human society. Marx's analysis of the transformation of the value-form in history leads to a "systematization of the laws of capitalist economy," such that socialism is both its historical product and its natural outgrowth. Meikle emphasizes, dubiously, that following in the footsteps of Aristotle, Marx's approach here is *teleological* rather than deterministic. Strict determinism dictates what *must* happen. Marx does not predict necessary historical development; he suggests laws of the transformation of man's essence in the value form, laws which are "effectively definitional of a thing's nature" (174). He offers an insight into the immanent possibilities that emerge from the contradictory tensions that exist. Thus, his vision of communism is an extension of his understanding of the internal contradictions of capitalism and their dynamic movement over time toward resolution. But this does not entail a predetermined plan of history—though as we shall see, Marx acted as though, in some respects, he possessed such a plan. Since a *telos* provides not just a possible but a definite "target" for historical development, his teleology cannot easily be used to deny his historical determinism.

### *Positivism vs. Essentialism*

Marx's organicism, like Aristotle's, is thoroughly opposed to the static, ahistorical limitations of positivist social science. It transcends one-

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dimensional analytical models, and embraces an interpretive, historical dimension.[16] But another way of looking at this is to say that Marxism is a closed system that resists falsificatory testing, especially inasmuch as it presumes to predict the future.

Meikle maintains, however, that Marxian essentialism is founded on Aristotle's materialism. Thus, to speak of the "essence" of an entity is not to embrace a quasi-mystical or supernatural construct. The "essence" of an entity is an objective reality which exists independently of human thought and feeling; therefore, its nature can be tested. For example, Meikle argues that

> part of the essence of gold as we presently understand it is that it is that element having the atomic number 79. We did not always know this; we discovered it. It *was* part of the essence of gold before we knew it to be so, and would still have *been* part of that essence even if there had never existed any intelligent creatures like humans to discover it. Other entities, such as forms of human society, also have essences which have to be discovered. (177)

Marx's inquiry into the nature of capitalism is an investigation of its essential forms and historical tendencies. Marx may have misidentified those forms and tendencies, but we now know this because they are *not* mystic entities that are impervious to testing. It is on the question of whether Marx's reach exceeded his grasp, rather than on the question of whether he was grasping at phantoms, that Meikle fails to guide us. Marx wrote as if he had privileged access to information on the ultimate goals of human history. While Marx recognized that humanity evolves and changes over time, he suggested a view of human "essence" which borders on the omniscient. The feasibility of Marx's historical teleology is highly questionable; it is not true that history must culminate in communism, but this is established by reference to economic and historical facts which, by falsifying the socialist and revolutionary assumptions of Marxism, demonstrate deficiencies in the content, not necessarily the method, of Marx's thought.[17]

The dialectical method is grounded in a relational epistemology, one that demands an investigation and understanding of context in order to identify the nature of the entities involved. No human being can ever have a complete grasp of all the subtle nuances and sophisticated complexities of life in order to explain, on a metaphysical level, the "ultimate" nature of every real existent. The essence of a concept is not metaphysically absolute, which would imply our omniscience. All human knowledge is

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open-ended. An entity is what it is independent of human thought or feeling. But our definition of the entity's nature is one that may change with the growth of human knowledge.[18]

To engage in dialectical thinking is to be highly sensitive to context. But it does not necessarily mean seeking to identify a totalistic grasp of context independent of a particular vantage-point. Nothing in dialectics, then, forbids projecting our understanding into the future. In keeping with the Aristotelian tradition, Marx recognized potentiality in actuality. He believed that the potential for socialism emerged from the actual historical and systemic conditions that capitalism provides. But he postulated an indefensible, metaphysical identification of historical tendencies which implied a synoptic vantage-point that no social theorist can ever achieve.

Our dismissal of Marx's historical teleology is not a condemnation of the future-orientation of dialectical method. All social science methods embody assumptions about the future. But they must, to be valid, also incorporate humility about the possible state of our knowledge of complex, changing societies. The true value of dialectics lies in the organic, relational and structural thrust of its analysis of historically constituted factors and conditions in understanding both the past and the possible future.

## *Toward a Dialectical Sensibility*

Meikle's investigation of the Aristotelian-Marxian link constitutes a challenge to those liberals who have neatly defined the history of philosophy as a struggle between the "Aristotelianism" of Aquinas, Locke, and the American founders, and the "Platonism" of Hegel, Marx, and the Bolsheviks.[19] Claiming Aristotle as their intellectual forebear, natural-rights theorists argue that man's nature is fulfilled by recognizing those "rights" which enable him to freely realize his "essence." This essence is usually defined individualistically: individuals have different essences to realize, and as long as they operate within the boundaries of a non-coercive political order, the liberal society should maintain neutrality between them. No "lifestyle" is given ontological or moral priority within the broader scheme that sanctions the free development of individual diversity.[20]

Conversely, other liberals oppose all totalistic philosophies. Popper, for instance, criticizes Marxism for its historicist, utopian prophecies and

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its dystopian, practical consequences. Popper applauds Marx's opposition to psychologism and his defense of the autonomy of sociology. But he views the Marxist project as a Platonic and Hegelian derivative. Popper maintains that this triumvirate—Plato, Hegel, and Marx—provides an intellectual rationale for "radical" social engineering, collectivism and totalitarianism. They are the true enemies of the open society.[21] This criticism of Marxian method, as opposed to its socialist content, ignores the fact that for Marx, revolution was to be the outcome of organic crises of capitalism, not of the legislation of social engineers—radical *or* piecemeal.

Popper might have been more sensitive to this essentialist aspect, since he recognizes the "Aristotelian roots" of Hegelianism and Marxism. But he dismisses Aristotle's thought as a mere systematization and outgrowth of Platonism. His contention that Aristotle "was not a man of striking originality of thought" is symptomatic of a deep distrust of Aristotelianism within that part of the liberal academy which rejects the concept of "natural rights."[22]

Like Popper, Hayek views the Aristotelian legacy as a mixed blessing. He argues that Aristotle, Cicero, and St. Thomas Aquinas formulated a critical conception of reason which is the basis of contemporary liberalism.[23] But Hayek denigrates Aristotle for his ignorance of evolution. Aristotelianism is also criticized as "the foundation of socialist thought."[24] Hayek writes that "the anti-commercial attitude of the mediaeval and early modern Church, condemnation of interest as usury, its teaching of the just price, and its contemptuous treatment of gain is Aristotelian through and through.[25]

Hayek does not recognize that his own methodology contains dynamic, dialectical elements first presented in the works of Aristotle. Like Marx, Hayek understands that the liberal ideal cannot be divorced from its wider social, historical, or moral context. Hayek's dialectic goes beyond the strictures of methodological individualism. It views society as an organic and historically constituted whole of internally related processes and structures.

Hayek is not the only neo-liberal thinker to recognize the broad preconditions of the capitalist economy. The novelist-philosopher Ayn Rand also rejected the one-dimensional view of liberalism as a purely political project. Rand disassociated herself from the modern libertarian movement despite some of their basic political affinities because, she claimed, the libertarian anarchists focused on a single strand of social reality—politics—and disconnected it from the corpus of a complex

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philosophical totality. Like Marx, Rand saw anarchism and statism as two sides of the same coin. Her defense of capitalism attempted to integrate those meta-ethical, epistemological, and psycho-cultural components which are essential to its systemic survival. Rand viewed these internally related social and philosophical factors as both the prerequisites for and products of capitalism.[26]

Though Rand acknowledged her own intellectual debt to Aristotle, she would have denied any similarity between her philosophy and Marxist dialectics. But Rand's hostility to communism should not obscure the fact that she was educated in the early 1920s at the University of Petrograd (now the University of Leningrad) in the Soviet Union. In the aftermath of the "Silver Age" of Russian philosophy, this was an exciting time in the Soviet universities.[27] It is possible that Rand learned much from her Hegelian professors, absorbing the totalistic and contextual thrust of dialectical method, while repudiating its Marxist ideological content. Speculating on such a Hegelian-Marxian-Randian link only bolsters our appreciation of their common Aristotelian roots.

Meikle's book prompts the thought that liberalism in general and much of neo-liberalism in particular suffer from an incomplete Aristotelianism. In rejecting Marxism, liberals like Popper do not realize that their own world view has as many totalistic implications as the Marxian vision. And neo-liberals often sever their libertarian ideal from the socio-historical and psycho-cultural contexts upon which it genetically depends. The best hope for liberal social science lies in its dialectical grasp of the internal relationship between economic, political, personal and intellectual freedom. If the movement in Eastern Europe means anything, it is that each of these spheres is a precondition of the other's existence.

To embrace a dialectical sensibility does not imply that liberals must invent their own version of historical determinism. To do more than speculate on the possibilities of historical development is to commit a synoptic fallacy. This was the most problematic post-Hegelian inversion of Aristotle's teleology: the belief that one could identify the metaphysical purpose of human history in advance of its achievement. No human being is in an omniscient position to identify the underlying *telos* of evolution. On the other hand, we can be rather certain that that *telos* will not involve the absolute freedom entailed by conscious human control over history. Marx himself maintained that people both shape and are shaped by historical conditions. But he exhibited a certain degree of intellectual hubris by suggesting that we could achieve complete mastery over our destiny.

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A dialectical sensibility in liberal social science can avoid the quagmire of historical teleology, while admitting the importance of historical context. The approach of figures such as Hayek and Rand is crucially important in this regard, since they point toward the construction of a radical, yet neo-liberal dialectic, one which recognizes the organic inter-relationships between and among contradictory social forces and historical conditions.[28] Meikle's book makes clear that this dialectical perspective is not a peculiarly Marxist legacy: it is Aristotelian, and it is the birthright of anyone who seeks a more realistic understanding of society than that offered by arid, one-dimensional, ahistorical models of human behavior.

NOTES

1. Sidney Hook, *From Hegel to Marx: Studies in the Intellectual Development of Karl Marx* (New York: Regnal and Hitchcock, 1950 [1936]), 36.
2. Richard J. Bernstein, *Praxis and Action: Contemporary Philosophies of Human Activity* (Philadelphia: University of Pennsylvania Press, 1971).
3. *Ibid.*, 16.
4. *Ibid.*, 34.
5. *Ibid.*, 70.
6. Carol C. Gould, *Marx's Social Ontology: Individuality and Community in Marx's Theory of Social Reality* (Cambridge, Mass.: MIT Press, 1978), xiv.
7. *Ibid.*, 33.
8. Frederick Copleston, *A History of Philosophy*, bk. 3, vol. 7: *Fichte to Nietzsche* (Garden City, N.Y.: Doubleday, 1985), 334.
9. Herbert Marcuse, *Reason and Revolution: Hegel and the Rise of Social Theory* (Boston: Beacon Press, 1960).
10. Karl Marx, *Capital: A Critique of Political Economy*, vol. 1: *The Process of Capitalist Production*, ed. Friedrich Engels, trans. from the 3rd German edition by Samuel Moore and Edward Aveling (New York: International Publishers, 1971 [1871]), 408, 59.
11. Friedrich Engels, *Herr Eugen Duhring's Revolution in Science* (Moscow: Progress Publishers, 1947 [1878]), 29, 29n.
12. V. I. Lenin, "On Aristotle's *Metaphysics*," in *Reader in Marxist Philosophy from the Writings of Marx, Engels, and Lenin*, ed. Howard Selsam and Harry Martel (New York: International Publishers, 1963), 361.
13. Karl Popper, "What is Dialectic?," *Conjectures and Refutations* (London: Routledge and Kegan Paul, 1963 [1940]).
14. Bertell Ollman, *Alienation: Marx's Conception of Man in Capitalist Society*, 2nd ed. (Cambridge: Cambridge University Press, 1976), 19.

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15. Robert Heilbroner, "The Dialectical Approach to Philosophy," in *The Main Debate: Communism versus Capitalism,* ed. Tibor Machan (New York: Random House, 1987), 8.
16. Ironically, both Austrian economists and Marxists reject the neo-classical economists' obsession with static equilibrium analysis. Though Austrians and Marxists have been classic theoretical rivals, they share many of the same dynamic methodological insights. This subject would take me well beyond the scope of the current essay.
17. See Chris Sciabarra, "Marx on the Precipice of Utopia," *Critical Review* 2, no. 4 (Fall 1988): 76–81.
18. See Ayn Rand, *Introduction to Objectivist Epistemology* (New York: New American Library, 1979 [1966–67]), especially 52–72.
19. See for instance Tibor Machan's Preface to *The Libertarian Alternative,* ed. Tibor Machan (Chicago: Nelson-Hall, 1977) and Ayn Rand's title essay in *For the New Intellectual* (New York: New American Library, 1961).
20. Neither Machan (e.g. in his *Individuals and Their Rights* [La Salle, Ill.: Open Court, 1989]) nor Rand separate the political and the moral. Murray Rothbard, by contrast, maintains that libertarianism is a purely political project with no implications for personal morality. See Rothbard's *The Ethics of Liberty* (Atlantic Highlands, N.J.: Humanities Press, 1982).
21. Karl Popper, *The Open Society and Its Enemies,* 2 vols. (Princeton, N.J.: Princeton University Press, 1971 [1962]).
22. *Ibid.,* vol. 2, 1.
23. F.A. Hayek, "Kinds of Rationalism," in his *Studies in Philosophy, Politics, and Economics* (Chicago: University of Chicago Press, 1980 [1966]), 94.
24. F. A. Hayek, *The Fatal Conceit: The Errors of Socialism,* ed. W. W. Bartley, III (Chicago: University of Chicago Press, 1989), 143, 47.
25. *Ibid.,* 47.
26. See Rand, *Capitalism: The Unknown Ideal* (New York: New American Library, 1967) and *Philosophy: Who Needs It* (New York: Bobbs-Merrill, 1982). Also see Chris Sciabarra, "Ayn Rand's Critique of Ideology," *Reason Papers* no. 14 (Spring 1989): 32–44. That Rand's perspective embraces the philosophy of internal relations is a contention which must be justified. This would take me beyond the scope of the current essay. Rand's relationism, like Marx's, is based on what Carol Gould has called an "asymmetric internality" (see Gould 89, 92, 180n7, 181n4, 184n22). Marx's thought recognized internal relations even though it was skewed toward material or economic explanations. On the other hand, Rand's recognition of internality is skewed toward philosophical or ideational explanations rooted in her basic assumptions about human nature.
27. On the "Silver Age," see Bernice Glatzer Rosenthal, *Dmitri Sergeevich Merezhkovsky and the Silver Age: The Development of a Revolutionary Mentality* (The Hague: Martinus Nijhoff, 1975).

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28. That Hayek and Rand offer significant dialectical alternatives in the neo-liberal tradition is a contention which merits detailed discussion. I discuss the Hayekian dialectic in my *Toward a Radical Critique of Utopianism: Dialectics and Dualism in the Works of Friedrich Hayek, Murray Rothbard and Karl Marx* (New York University Ph.D. diss., 1988) and the Randian dialectic in my "Ayn Rand's Critique of Ideology." The latter is part of a broader, book-length project which will assess Rand's philosophical method and critique of "anti-conceptualism."

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*Don Herzog*

# GIMME THAT OLD-TIME RELIGION

THE LIBERTARIAN IDEA

by Jan Narveson

*Philadelphia: Temple University Press, 1988. 367 pp., $34.95.*

*Libertarianism is an austerely rigorous account of liberalism, but what justifies it? Troubled by the intuitionistic appeals of many libertarians, Jan Narveson attempts to provide foundations for libertarianism by turning to social contract theory. He argues that parties out to advance whatever goals they have, with their current knowledge and motivations, would converge on typically libertarian positions, including a very strong set of private property rights and no affirmative obligation to come to the aid of others. But his arguments simply fail. Nothing justifies libertarianism; indeed its conceptual structure is oddly reminiscent of that of fundamentalist religion.*

There's something endearingly toughminded, if that's not an oxymoron, about libertarianism. At the same time, for the same reason, there's something unbelievably monotonous about it. Whatever the issue, libertarians can be relied on to complain that people's rights, especially their property rights, are being violated. Violations of rights, apparently, are everywhere: in laws prohibiting the sale and possession of crack, in zoning regulations, in antitrust statutes, in any and all sorts of economic redistribution, even in the public ownership of roads and taxation itself. In a refrain made familiar by von Mises, Hayek, and Friedman, a band of nasty statists simply stole the proud name of liberalism to defend an appalling range of invasions of freedom. The true heritage of Lockean liberalism has been subverted. We are being suffocated by the state.

This striking view is interesting in its own way, as an austerely rigorous account of liberalism. But it's not just a curiosity promulgated

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by a hardy band of fanatics. Libertarian sentiments often pop up in mainstream politics: witness for instance some of the recent arguments for legalizing hard drugs. Now, critics of libertarianism sometimes work themselves up into heroic indignation, castigating this servile affection for capitalists and callous disregard for the poor. At least some of that indignation is out of place, I think. True, Ayn Rand once described big business as "America's most persecuted minority"; but Murray Rothbard, in a blistering response, suggested that American big business wants nothing more than to suck at the ample feeding trough of protectionism, and he cast *laissez-faire* as a strategy for stripping capitalists of such unjustifiable privileges. If some libertarians do indeed seem indifferent to poverty, others hasten to remind us of the horribly counterproductive effects of state intervention in the market, to argue that relieving people of the onerous burden of modern taxation would let loose a flood of charitable donations, and so on.

So the indignant critics take the wrong tack. What they say doesn't accurately map the landscape of libertarianism. Still, I'm no libertarian myself. I think it simply wrongheaded, a bad interpretation of what the liberal tradition has to offer. Nothing in Jan Narveson's new book persuades me otherwise. Its central arguments are very weak.

I would like to turn immediately to assessing those arguments, but first I must lodge a complaint about Narveson's style. The problem isn't that his writing is conversational; I for one am in no position to complain about that. The problem is that he sometimes drops the pose of showering his opponents with compliments (on their rigor, their lucidity, their profundity, and so on), and simply sneers at them. Sometimes it's a matter of winking at fellow libertarians, as when Narveson refers to "socialists, who frighten easily" (93). That may be forgivable, though Narveson might have thought a bit harder about whether he needed to gratuitously irritate socialist readers. But sometimes it's flatly unacceptable. After sketching an argument of Thomas Nagel on behalf of social welfare legislation, for instance, Narveson writes,

> The moral argument is shabby, corrosive, and so outlandish that it could be offered only by people who already believed in the antecedent justice of taxation for these purposes and are so enamored of the State—as is almost everyone nowadays, after forty years of the welfare state—that their moral imaginations have been reduced to pudding. (249)

The problem isn't just that Narveson owes an apology to Nagel, though he does. Narveson is free to reject Nagel's argument, even to ridicule it if

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he likes. But he's not free to move on to ugly speculations about Nagel's motives or to vicious characterizations of Nagel's moral imagination. (Just as opponents of libertarianism are entitled to be as indignant as they like about the merits of the position, but not to any indignation about the motives and character of libertarians themselves.) We're not going to get anywhere as a community discussing these issues if people start slinging such mud around. Or, to put the theoretical point in a way that might surprise some libertarians, free speech isn't the right to say whatever you feel like, not even if you're standing on your own property. It's a social practice that depends for its integrity and usefulness on certain norms of respect being observed. I'm quite sorry to see Narveson flout those norms so flagrantly.

### *A Maverick Libertarian*

Enough of such distasteful matters. Consider instead a signal merit of this performance: in political substance Narveson toes no doctrinaire line. The party faithful will be disturbed to learn, for instance, that libertarians ought to be happy with Canada's scheme of socialized medicine. *Very* briefly, the argument is that the overwhelming majority likes it, so they've consented, and that most of the others would purchase quite similar coverage on the market. What about the handful who wouldn't? Let them opt out. What about the dread redistributive effects? Well, it would be grotesquely inefficient not to supply universal coverage, and anyway most Canadians don't mind. (The inefficiency claim is reminiscent of Frederic Bastiat's defense of charging everyone the same postage for mailing a letter, regardless of the distance it must travel. In this context, though, it seems contrived, a classic instance of getting the right answer for the wrong reason.) More generally, Narveson notes happily that the Canadian scheme has far lower administrative overhead than the American one.

Given his staunch libertarian commitments, Narveson's attention here to efficiency might seem puzzling. Intuitively, one wants to say that where rights are at stake, all considerations of efficiency are uninteresting. I can't justify violating your rights by pleading that it saves me lots of money to do it. (If that's right—if it's *always* right, that is—libertarians owe us a better story than they've provided so far about why *any* pollution is acceptable. If even one person owning a scrap of real estate in Maine insists on breathing wholly clean air and drinking wholly clean water, if she refuses any cash payment for her right to unmitigated enjoyment of her property, doesn't any polluter of her air or water, no matter how "in-

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significant" the pollution, violate her rights? So shouldn't libertarians passionately hate industrial capitalism?) For Narveson, though, "these concerns are not all that different, in the end. Rights are founded on considerations of efficiency, if of a fundamental kind" (334).

How so? Narveson has renounced utilitarianism and enthusiastically adopted David Gauthier's version of contractarianism. We are to evaluate social policies by seeing, roughly speaking, whether they're a good deal: whether, that is, it would be rational for each and every individual to assent to them. And that means whether each and every individual is better off with them, in a standard expected-utility way. And that means whether they're efficient, *not* in the utilitarian's maximize-across-the-population way, but in the economist's Pareto-optimality way. The utilitarian will accept a change making some worse off if it yields larger gains for others; the economist won't.

I don't want to underplay the significance of this dispute about efficiency. But the business of maximizing across the population is the only utilitarian commitment Narveson has renounced. He still thinks morality must be a matter of maximizing what's of nonmoral value. He still derides appeals to moral intuition, as doughtily as Bentham ever did. (Though he doesn't stick to his guns on this one. He writes, for instance, that "Among our strongest duties, surely, are our duties to help distressed kids. . . . It would, as I say, be an embarrassment to the theory were it unable to underwrite those feelings" [269].) He still is captivated by preference, expected utility, and economistic accounts of all sorts of social interaction. By my lights, then, he hasn't renounced nearly enough of utilitarianism. I don't believe we can make sense of morality or politics in the radically reductionist way he proposes; I don't believe appeals to moral intuition are necessarily mere assertions sneakily posing as justifications; I don't believe that all the world's a market.

But my quarrels with Narveson don't turn on such recondite issues. Here I want to assess his defenses of two characteristically libertarian positions: an affirmation of a very strong bundle of private property rights and a denial of any obligation to come to the aid of others. Officially his exposition of libertarianism is one thing, his defense another, though in fact the two blur together at points. Still, I'll try to follow his structure, putting off consideration of the contractarian rationale until the positions themselves are on the table.

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*Private Property Revisited*

Narveson's "root idea [is] that people are to be allowed to do *whatever* they want to do" (81), provided of course that they don't interfere with the legitimate liberties of others. This is the basis on which a libertarian conception of private property is to be erected. In part, it's a deliberate shifting of the burden of proof. In Narveson's view, we don't need any special reason to let people do what they want with their own property. On the contrary, we'd need some very good reason to prevent them. Two questions immediately arise.

First is a worry about formalism, familiar from discussions of Herbert Spencer, Auberon Herbert, and the like. If we say something like "everyone is to have the maximal liberty compatible with an equal liberty for others," have we really said anything with content? How about punching people in the nose? Isn't my putative right to punch you in the nose compatible with your putative right to punch me in the nose? It won't do to introduce a morally loaded notion of harm here to rule that out, because the goal is to base *all* our moral categories on brute-fact wanting and the like. Instead, Narveson will have to show that if we're economically rational, out to advance our own goals, we will endorse something like the traditional harm principle.

Second is a worry about the viability of excluding all moral and political categories from the descriptions of what people actually want to do. Narveson wants to imagine people acquiring property in a state of nature by doing things like "plowing a bit of land with a view to planting potatoes with a view to eating them" (81). It's the agent's self-understanding that's supposed to be decisive here in explaining how a property claim arises. But I find unintelligible the thought that someone could articulate a claim to own a piece of land in the absence of a social institution of property. You plow the land, you plant the potatoes, you intend to eat them: and someone else comes along and digs them up the day before you were going to. Why does this count as an injury? Why isn't it merely your misfortune? You may be unhappy about it; you may even be angry; but can you be indignant?

Consider this:

> When the first Asian crossed the land bridge to Alaska 11,000 years ago, did she then get title to the whole of North America? Certainly not. That proto-Inuit lady had absolutely no idea what she was getting into; it cannot be plausibly argued that her activity, what she saw herself to be doing, was using a whole continent or anything like it. (85)

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Why didn't she? Not, I take it, because she was stupid or unambitious, a sucker failing to notice an economically splendid opportunity staring her in the face. Rather because her culture didn't make available to her the thought that one could vest property rights in land by sweeping one's arms and pronouncing grandly, "All I see and more is now mine." Indeed her culture may well have made the thought of property in land a nonstarter, as the culture of native Americans did. Intentions depend on concepts; concepts depend on language; language depends on society. So Narveson has got things backwards.

Nor would it help to say, "but the proto-Inuit lady needn't think of herself as having a *right* to the land. The only self-conception she needs is that she's *using* the land. We then ascribe a right to her on that basis." For again, her culture may make unavailable—or deeply blasphemous—the thought that one may use the land. Maybe she thinks that she can serve only as trustee or caretaker for the land. Maybe she is mystified by the thought that one could either use or own the land. One "sells" Manhattan Island for a pile of glass beads not because one absurdly overestimates the value of the beads, but because one doesn't really grasp the idea or practice of land ownership.

The two worries, about formalism and reductionism, come together in the following way. Narveson wants libertarian rights of private property to fall out of the agreement rational agents would strike in trying to advance their premoral, preinstitutional projects. But how do we know just what such agents would agree to? Maybe they'd like to be able to punch others in the nose freely, and would take their chances on protecting themselves. Maybe they'd like to be able to own slaves, and would take their chances on being one. Defending the libertarian position against such alternatives means, for Narveson, showing that rational contractors would choose libertarianism to advance their own goals, whatever those are.

We can't insist that people hand over some of their property to the needy, says Narveson. We can't insist that private employers not discriminate on the basis of race. Such requirements violate their liberty, their right to do as they see fit with what is theirs. But notice how easy it is to describe other systems in perfectly symmetrical language. We can't insist that slaveholders relinquish their slaves. Doing so might benefit the slaves, it might even make them freer, but it would do so by invading the liberty of slaveholders, take their right to own slaves.

The response, I take it, is that no one would agree to a system of slavery. But that response too invites symmetrical points about other systems: perhaps no one would agree to a system of wage labor. You'd have to

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worry, after all, that someone could gain the right to command you for eight or ten hours a day because you had to sell your labor to stay alive, and that right would be an intolerable incursion on your liberty. (Narveson accepts some version of a Lockean proviso, but not one that would conceivably apply to this scenario.) Instead, following John Stuart Mill, you should insist on a workplace that gives the workers democratic rights of control.

*Any* property scheme—state socialism, *laissez-faire* capitalism, welfare-state capitalism, democratic socialism, slavery, feudalism, or whatever else you like—permits some possibilities and rules out others. In any one, giving some actors more possibilities may depend on giving others less: emancipating the slaves means stripping slaveholders of property rights; giving bosses the power to bust unions means depriving workers of organizing rights; and so on. The injunction to maximize liberty, or maximize worthwhile liberty, or anything like that, on its face won't pick out one scheme as uniquely correct. The idea of liberty, especially when characterized as simply as doing whatever you want, just hasn't got enough working parts to constrain this choice. So it will radically underdetermine things to say that rational contractors want to preserve their liberty: the contractarian argument will have to show much more than that.

### *Agency, Causation, and the Obligation to Aid Others*

Again, Narveson wants to deny that we have any affirmative obligation to come to the aid of others, however desperate or needy they are. It may well be morally admirable, he concedes, to donate money to the poor, but it can't be required of us: that is, we can't justify any sort of coercion to make people help. And that will mean, of course, that we can't justify taxing market earnings or wealth in order to redistribute it to those less well off.

Proponents of redistribution are sometimes described as pressing a claim of equality against one of liberty. But they might also be described, Narveson realizes, as themselves pressing a claim of liberty. After all, there are plenty of things poor people might want to do that they can't do because they haven't got the money. Many attractive possibilities in capitalist societies are locked, and money is the key it takes to open them. So the champion of income redistribution needn't be a dastardly leveller resentful of the achievements of the superior, one of Rand's villains; he needn't have some straitjacketed preconception of what a just distribution

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looks like; he can act out of concern for liberty. Although Narveson realizes this, he thinks that redistribution can't properly be justified this way. Why not?

First comes a polemical *reductio*. We have two structural choices: maximizing liberty or refusing to interfere with liberty. We want the second, says Narveson, else why not redistribute eyeballs from the sighted to the blind? But surely we can distinguish such gross invasions of integrity and autonomy as dissecting people's bodies from withholding from their paychecks. Narveson wants to blur any possible distinction. So he urges that we own our bodies. (This wasn't Locke's view. Indeed he would have found it blasphemous, for he held that God owns our bodies, which is why we may not commit suicide.) But the thought that I own my body as well as the assets in my checking account doesn't reveal that there's some deep and important parallel between taxation and eyeball-snatching. Instead it shows only that if you refuse to make any distinctions, you won't notice any differences.

Next comes the suggestion that to impose an obligation on B to come to A's assistance is to trample on B's liberty. Once again, though, that is to presuppose just what needs to be shown, that whenever B doesn't help A, B acts within his rights. What counts here as the legitimate preserve of liberty must be defined against a space of moral expectations, not any purely descriptive account of what people want to do. Just as I don't act within my liberty when I pull out a .38 and blow you away, so I don't act within my liberty when I allow the car I'm sitting in to roll down the street and run you over. Even if I didn't set the car in motion—suppose the parking brake failed and I wasn't negligent in maintaining it—I ought to intervene by slamming my foot on the brake. In one case I do something—I pull the trigger; in the other case I do nothing; but in both cases I violate your rights in ways I'm properly held responsible for.

This last example should remind us that agency isn't the same as causation. What you're responsible for isn't the same as what you causally bring about. I am responsible for killing you when the car rolls you over, even though I'm no part of the causal story of your death. (How could I be? I didn't *do* anything.) So there are two ways to understand the thesis that we ought not interfere with others' liberty. One is purely descriptive: whenever people don't in fact cause harm to others, they ought to be let alone. The other is morally loaded: whenever people aren't in fact responsible for harm to others, they ought to be let alone.

Narveson, of course, knows about the distinction between agency and causation. He labors against the view that we can *cause* anything by not doing something: so for instance, I don't cause you to drown if I don't

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dive in to pull you out of the water. What causes you to drown is the water filling your lungs and depriving you of oxygen. Quite true. But I may still be responsible for it, if we think it reasonable to impose a duty on me to pull you out. Weirdly, Narveson closes his discussion of these matters by simply conceding that this is so. "It remains that the agent's inaction is not what literally causes the unfortunate outcome. When we nevertheless ascribe responsibility to the inactions of such persons, it will be on the basis of a background expectation that they are to do that thing" (39). And there are, Narveson cheerfully concedes, lots of plausible reasons for endorsing such expectations, not limited to obligations voluntarily undertaken. (This is one of several discussions in the book that stops abruptly or leaves the outcome up in the air.)

## *Libertarian Rabbits, Contractarian Hats*

Narveson wants to justify his politics by showing that agents out to realize their goals, whatever those may be, would agree to such principles. Actual agents: you, me, Narveson, whoever else happens to live around here. Nor does Narveson have any patience with some ordinary tactics of contract theorists. He won't permit any reconstruction of our knowledge or motivations. In this version of contractarianism, Donald Trump knows that he's Donald Trump, and he has all the motivations and principles he currently has, however grubby or morally uninspiring one might think they are.

Proceeding this way, urges Narveson, has more justificatory force. After all, why should you care about what some agent who doesn't look a lot like you would choose? Why should *you* care what "you" would think if you didn't know who you are, or cared about other things? But if we can show that you, the real you, would rationally choose libertarian principles, then you have very good reason to accept them.

There's repeated talk in the book about unanimity. Narveson's considered view, however, isn't that we can get everyone who currently lives in the United States or Canada to assent to libertarian principles. (If theory too often seems to be the business of presuming on the reader's gullibility, here, at least, Narveson's theory isn't that.) It's rather that we can get a sizeable majority behind such principles; the rest will gain increased incentives to assent to them; the few who don't will just be left out in the cold. They won't be members of what Narveson calls the "morality club" (135). Still, one would like to hear more about the implications of relaxing the requirement of unanimity. Suppose American whites jointly agree

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that oppressing blacks is in their interests. Presto! a contractarian justification of a racist morality, with blacks free to join this particular morality club and accept the duties it assigns them, or to be left out in the cold. Narveson's furtive comments on impartiality don't explain what's wrong with this grim prospect.

The project, anyway, is to show that people like us would rationally assent to libertarian principles of social cooperation, including the strong version of private property rights and the lack of any obligation to aid others that I sketched before. This is the heart of the book, the pivot on which the whole position turns. Surprisingly, though, there's a lot of windup—rejection of others' views and the like—and precious little pitch.

The general strategy is to show that libertarian social cooperation dominates a Hobbesian state of nature, and to show that no departures from libertarianism could be justified. This way of putting it seems to beg questions. One might as easily suggest that Swedish social democracy dominates a Hobbesian state of nature and that no departures from *it* could be justified. So I will ignore the two-step process. After all, nothing constrains the bargaining parties to proceed this way. The moment someone suggests libertarian terms of cooperation, others will be free to put other proposals on the table. Trying to put libertarianism in a privileged place will entail the kind of intuitionism Narveson deplores.

Still, Narveson will hold that we would converge on libertarian principles. "Can we conceivably argue that the individual is better off by having her Lockean rights invaded, set aside, or ignored?" (182) If you're inclined to respond that *others* will be made better off—those on the receiving end of property redistribution, say, or those gladly receiving aid from others—Narveson triumphantly responds that you still have to justify incursions of Lockean rights to those who will be paying out. Justify them, of course, not by making any moral appeals, but by showing them that they're better off, whatever their actual goals or values are.

That's it, in a nutshell. Details follow later, as Narveson rehearses familiar arguments designed to show the perversities and failures of social policies one might have thought preferable to libertarianism. But the details won't remedy the fatal flaw of the central argument.

There just isn't the asymmetry in the bargaining position that Narveson implicitly relies on. Every time he reminds us that some people will not want to have to provide aid or give up property, we can remind him that others will insist that they do. There's room for fancy footwork here about the rarefied strategic implications of threat advantage, control of the agenda, cyclical majorities, and the like, and in a way it's surprising that someone as economically minded as Narveson doesn't pursue such

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complications. Still, I think it quite obvious that what agreement we could command in this social contract wouldn't lead to libertarianism.

Quite obvious: after all, we've adopted terms of social cooperation very different from the libertarian ones. But ours is a democratic polity, reasonably responsive to the views of any and all citizens, with the knowledge and motivations they actually have—in a word, citizens identical to Narveson's contractors. As libertarians are bitterly fond of noting, the central dispute of U.S. politics is over what sort of social welfare state to have, and how quickly to move toward it: but mainstream Republicans and Democrats alike accept that state. True, many citizens don't vote, and no doubt some of them cordially curse both parties. But the citizens aren't voting for libertarian parties either.

The actual outcomes of American (and Canadian) politics, then, militate against Narveson's conclusions. The "realism" of his contract model, its sticking to actual agents, may give it more justificatory force, but it deprives it of critical force, of distance from the current arrangements. Maybe the Donald Trumps of the world would prefer living in a libertarian polity, because they'd have more money there; maybe others agree with the Trumps because they have commitments to liberty they think are best captured by libertarian politics; maybe still others agree because they loathe bureaucrats and don't give a damn about the poor; and so on. Libertarians may have very different motivations for championing libertarian politics, but no matter here: the contractors pursue their ends however they define them. Where might the critical force come from? As far as I can tell, only from the idea of rationality. Maybe we've been bamboozled, as Narveson's self-congratulatory crack about "almost everyone" being "enamored of the State" suggests. Maybe libertarians have to go on making the case against welfare policies.

But I can't imagine that's it. In fact, that crack is flagrantly at odds with the facts. Cynicism about the state is pandemic: people take it for granted that politicians are corrupt, bureaucrats inept, and so on. They continue to endorse social welfare policies in the face of their cynicism. They do so, I conjecture, because they really think helping others out matters, because they're unwilling to go along with schemes that might well leave them needy and suffering.

### *The Politics of Bible-Thumping*

Narveson wrote his book, he tells us, largely out of discontent with the merely intuitionistic appeals of many libertarians. He wanted to place

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libertarianism on sound foundations, and he thought that Gauthier's version of contractarianism provided the basis for doing that. But the verdict on libertarianism, I suggest, must still be "case not proven."

I haven't the space to explore other mistakes Narveson makes, though I can mention a couple. He has perilously scant regard for the rights of children: so he asserts that "in a libertarian society . . . the fundamentalists are free to blinker as many children as they can get their hands on the parents of" (279). And he fails to follow Mill and Feinberg in distinguishing between what's actually harmful—that is, what disadvantages others or wrongly interferes with their interests—and what merely dismays or offends them: so, in discussing zoning, he says that "the main criterion for whether A should be permitted to do Z is whether the existing set of neighbors are bothered in any way by Z's going on there" (306). *In any way*: which suggests that if your neighbors happen to be bothered by your wearing jeans or smoking dope or holding prayer sessions in your living room or fraternizing with blacks or gays, you don't have the right to do it. This is hardly a strategy for securing liberty. (It is, though, a reminder of what happens when you collapse everything into preference.)

In one way, though, Narveson is true to (important strands of) the liberal tradition. He parades his disdain for organized religion, and agrees that religious fanatics won't find anything he says persuasive. They are beyond the pale, and we may simply declare war on them. Voltaire's hatred of Christianity, Montesquieu's drily detached portrayal of the bigoted complacency of his Christian compatriots, Hume's out-and-out atheism, even the devout Locke's campaign to purge the world of religious enthusiasm: all echo, if silently, through Narveson's pages. It's a delicious irony.

The irony lies in the gap between the poverty of Narveson's arguments and the zeal with which he embraces his libertarian conclusions. Libertarianism, I suggest, is just the fundamentalist's version of liberalism, a kind of political enthusiasm, no more. True, libertarians pride themselves on rationality (think about why they named one of their leading magazines *Reason*), and many of them have been intransigent atheists. But the conceptual structure of libertarianism is oddly reminiscent of that of fundamentalism: the same affection for (Lockean) sacred writ, the same inclination to equate historical change with corruption, the same insistence that simple principles are the road to salvation, the same proudly fearful rejection of others as evil sinners doomed to perdition. Yet we still have no good reason to accept libertarianism. So the toughminded pose of libertarians is nothing but bravado. Some of our compatriots talk in tongues and see God, too.

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*Loren E. Lomasky*

# BUT IS IT LIBERALISM?

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THE LIBERTARIAN IDEA

by Joseph Raz

*Oxford: Clarendon, 1986. 435 pp., $59.00*

*Joseph Raz's* The Morality of Freedom *offers a subtle and arrestingly original reconstruction of liberal theory. Raz argues that standard liberal linchpins such as neutrality, rights, equality, anti-perfectionism, subjective preference, and individualism fail adequately to ground a liberal order. Rather, he enshrines autonomy as the core value of a justifiable liberalism. Many of Raz's subsidiary arguments are insightful, yet his liberal structure ultimately founders. In large measure that is because Raz oscillates uneasily between two opposed rationales for the centrality of autonomy. The result is a major contribution to political theory, but also a book that is less than the sum of its parts.*

If one were to sketch a composite picture of liberalism as expounded by its most distinguished contemporary theorists, it would look something like this: What distinguishes liberalism from alternative political regimes is its studied adherence to *neutrality*. Although individuals may—and will—judge that one mode of life is morally preferable to another, the state is precluded from issuing or endorsing such verdicts. That is, it adheres to *anti-perfectionism*, the exclusion of ideals from political action. The state is instead to act as an impartial referee; it may not act to favor differentially one of its citizens' projects over that of any other just so long as the individuals concerned are not directly harming others. A liberal order is *rights-based* and *individualistic*, grounded on the obligation of the state to enforce the rights that individuals enjoy. It presupposes a fundamental principle of *equality* among all persons, and its policy determinations are

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*derived from the preferences* of these various free and equal persons. Finally, liberalism rejects *paternalism*, holding that the state may intervene to prevent a person from acting to harm another but not to prevent him from inflicting harm on himself.

This generic liberalism cannot be attributed without qualification to any of our eminent liberal theorists, yet its basic contours are readily apparent in the works of Rawls, Nozick, Dworkin, Gauthier, and many other past and present shapers of liberal politics. Joseph Raz's *The Morality of Freedom* is a worthy addition to this canon even though—or because—it rejects every one of the characteristically liberal features enumerated above. Raz believes that the state cannot be globally neutral with respect to plans of life nor should it embrace a doctrine of neutralism even where neutrality is feasible. He advocates perfectionism as a basis for political practice and rejects the claim that state policies are to be fashioned after the de facto preferences of its citizens. He takes individualism to be contravened by the fundamental importance of collective goods for the possibility of our leading worthwhile lives. Raz argues against the cogency of a rights-based morality and similarly dismisses a political ethic derived from a fundamental equality postulate. Finally, he endorses paternalistic intervention to redirect individuals away from modes of life that are inimical to their well-being.

What then remains to tie Raz to the liberal tradition in whose service he ostensibly writes? Primarily, it is his endorsement of *autonomy*. A liberal order is one in which individuals, through their own free and deliberate choices, "adopt personal projects, develop relationships, and accept commitment to causes, through which their personal integrity and sense of dignity and self-respect are made concrete" (154). Their choices are both profoundly significant and undetermined by the reasons that can rightly be said to apply to them: significant because those choices amount to constructing a life that is, in a strong sense, one's own, and undetermined because the various prospective worthwhile lives that beckon are *incommensurable* in value with each other. Because Raz jettisons so much of the standard baggage of liberalism, the appeal to autonomy has to do more work for him than for any other major liberal theorist since Kant. Whether autonomy is equal to the task remains to be seen.

This is not an easy book. It is comprised of fifteen chapters, of which only the final two present Raz's own theory of liberalism. The preceding pages are given over to the systematic examination and rejection of alternative versions of liberalism. What this means is that the reader must snatch at whatever hints are proffered along the way in order to see where all this might be heading. Frequently those hints do not suffice. For

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example, Raz begins with an examination of justified authority (a subject he has previously explored and for which, prior to the appearance of this book, he was best known) rather than, as the title might lead one to expect, a discussion of the scope and role of freedom. His rationale for this procedure is that "the question of political liberty does not arise unless the existence of political authorities is justifiable" (21). What follows are three closely argued chapters within which it emerges that authoritative directives, including the subclass of politically authoritative verdicts, are precisely those that are based on reasons that already apply to the subject. In other words, only if the subject should do something may the state compel him or her to do so. The reader will be wondering: for what reasons "should" an individual do something and in what way are such reasons afforded entry into the political arena? Several chapters later Raz drops a crucial but characteristically negative hint: these reasons are not to be identified with the actual desires that people possess because "agents do not wish their desires satisfied if their belief in the existence of a reason for their desires is unfounded" (141). We thus learn that political authority is not merely the engine for giving effect to citizens' expressed preferences. On behalf of which reasons then *is* government authorized to act? Only later—*much* later—is an answer supplied. By this time the reader will probably feel the need to consult the earlier chapters. Indeed, it is almost impossible to comprehend the plot of the story that Raz tells with only one reading. *The Morality of Freedom* begs for transformation into computerized hypertext technology in which "buttons" can painlessly connect one with the many extended threads of the argument.

Accordingly, I shall not attempt to review seriatim all the twists and turnings of Raz's discussion. And that is, in a way, a pity because so many of the separate bits and pieces are philosophically appealing and insightful. Indeed, as will emerge, I judge them to be considerably more successful than is the controlling argument that they are intended to serve. This is a case in which the whole really is less than the sum of its parts. Because the parts are themselves of considerable intrinsic value, this evaluation should not be taken as a suggestion to pass this book by. Even its failures are instructive failures.

## *Liberal Neutrality*

"A state or government," writes Robert Nozick,[1] "that claims . . . [the citizen's] allegiance (as other individuals do not) therefore scrupulously must be *neutral* between its citizens." Raz cites this passage, along with

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similar statements from Rawls and others, by way of characterizing one very prominent liberal motif. The liberal state is anti-perfectionist, possessing no overarching moral ideals of its own that it is entitled to advance. The idea governing a prescription of neutrality is that the state serves exclusively in a fiduciary capacity with respect to its citizens' projects and interests, not as an agent in its own right. But *which* citizens? The answer that suggests itself is, of course, "All of them." No one is to be differentially advantaged or disadvantaged by state action. Since individuals differ widely in their conceptions of the good, any attempt by the state to advance some particular moral ideal will necessarily favor the interests of some persons over others. To avoid such illicit partiality, the task of the state must be conceived to be to establish a neutral framework within which individuals are able to pursue whichever goods may attract them.

Raz begins his critique of anti-perfectionistic neutrality by observing that there is something paradoxical about restraining the state from doing all the good that it can (111). He acknowledges that the impulse toward a doctrine of state neutralism is largely fueled by the unsavoriness of ramming a conception of the good down the throats of people who are deeply opposed to it. Recognition of a right of conscientious objection is one way in which this feeling is properly, in Raz's view, given effect. The presence of conscientious objectors does not, however, bar the state from pursuing programs judged to be valuable; it rather sets limits on the (coercive) means by which such programs can be advanced. Thus, according to Raz, the debate should not be understood as waged between strict neutralist anti-perfectionism and the unbounded pursuit of ideals. Rather, it is between more or less radical restrictions on a state which, all parties concede, is to give individuals considerable scope for the furtherance of their own conceptions of the good.

Is complete state neutrality possible? To the extent that it is possible, is it desirable? Raz responds in the negative to both questions. We would hardly welcome state neutrality between those who are inclined to murder other people and those who wish not to be murdered. A restriction on murder does, however, represent the endorsement of a moral principle. To be sure, it is a principle that enjoys overwhelming acceptance by the populace, but general approval should not disguise its perfectionistic status. It is for avowedly moral reasons that we do not wish to be neutral between potential murderer and potential victim. In other cases where we might perhaps want to remain neutral there is no unambiguous rule for determining how that is to be achieved. Countries A and B are at war with each other, while country C wishes to remain neutral: may C trade with A but not B? Does it matter if C has previously established trading

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relations with A but none with B? Or if C is shipping wheat rather than armaments to A—although wheat could subsequently be exchanged on the world market for guns? There are, Raz contends, no nonarbitrary answers to these questions. It all depends on selection of the benchmark by which we judge impartiality. However, selection of some particular benchmark as the reference point is itself morally nonneutral. Therefore, the all-out pursuit of neutrality is chimerical.

Raz applies this strategy to the Rawlsian choice of neutral principles of justice within the original position. Following a line earlier taken by Thomas Nagel, he argues that "there is no way of justifying the conditions of choice in the original position except from the point of view of a certain conception of the good" (118). Indeed, that conception is easily recognizable: it is that of a liberal individualism in which communitarian or other collectivist conceptions of the good are disprivileged. Even if Rawls's principles of justice are neutral among various individualistic conceptions of the good (itself not a sure thing) their justification fails from the outset to be neutral between liberal individualism itself and other political conceptions. Still, suggests Raz, the failure is not beyond redemption: the argument from the original position can be recast as the avowedly perfectionistic justificatory enterprise of affording scope to the practice of autonomy within a morally pluralistic world.

Raz's objections to neutrality do not seem insurmountable. Even if there are instances in which what constitutes state impartiality is genuinely puzzling or not definitively answerable, there are many others in which an appeal to neutrality is straightforward. Nor should advocacy of neutrality be caricatured as entailing the absence of all antecedent moral guidelines. State officials need not disqualify themselves on grounds of neutrality from brokering the conflict between the would-be murderer and his intended victim; they are to display neutrality only toward *rights-respecting* activities, murder not being among them.

This is not to simply beg the question; the rights that set the boundaries of permissible and impermissible action by either states or individuals may themselves be warranted in terms of their obtaining impartially among all persons. How then does one respond to the communitarian who complains that such (liberal) rights display only a sham-neutrality? One does so, I believe, by acknowledging that a neutral political order, and the rights that it embraces, are not compatible with any and every end that someone may prize. In particular, those ends that require the conscription of some people into the projects of others are disqualified. This disqualification is not, as Raz seems to suggest, arbitrary but rather issues from the neutrality principle itself. If one person is forced to be an adjunct

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to the conception of the good of someone else, there is a clear failure of neutrality between them. That does mean that collectivist conceptions, at least insofar as they rely on coercion, are rendered inadmissible, but their inadmissibility is a consequence of the doctrine of neutrality and not a counterexample to it. Contemporary defenders of communitarianism often peevishly object that liberalism shows itself closed to the goods that they prize. They usually then go on to do the best they can to obfuscate the fact that their ideal is to be imposed on the backs of others. (A community or sub-community that establishes and preserves itself through voluntary means is, of course, entirely compatible with liberalism.) If the individualism endorsed by liberalism declines to countenance freedom-restricting ends, that should be accounted a plus and not a minus. A theory that refuses to interpose itself between the slave and the slavemaster is not neutral; it is morally empty.

This response presupposes the possibility of employing individuals' rights to distinguish genuine from bogus neutrality. In chapter 8, "Right-based Moralities," Raz presents several reasons for thinking that rights provide an inadequate base for political morality. First, there may be moral reasons for one to do something without it being the case that anyone has a right that that action be performed. It may, for example, be the case that I ought to provide you with a piece of information that you would find valuable, though you have no right against me that I do so. Second, right-based moralities afford no place to supererogation within moral life, that is, to an acknowledgment that there is more to morality than the minimal fulfillment of one's obligations. Third, they cannot allow intrinsic value to virtue and the pursuit of excellence (196). The upshot is not that rights do not deserve a place within moral theory. Rather, rights do serviceable moral duty, but they neither exhaust the domain of morality nor are they properly basic within it. We have reason to acknowledge rights because they are responsive to the existence of persons whose well-being, in Raz's terminology, possesses ultimate value. But because the role of rights is derivative, hopes for a rights-based morality are vain. To put it another way, it is the moral ideal of flourishing persons that validates the conception of rights.

One can easily enough concede that a morality in which rights *and only rights* figure fundamentally is deficient. Liberals insist that individuals be let alone to lead their lives as they see fit: they have a *right* to non-interference. A near-corollary of that claim is that it is a matter of great moral importance how individuals elect to use their liberty. We would hardly place any great weight on liberty to choose if we thought that the direction of choice matters—*morally* matters—for little or nothing. Thus any fully

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fleshed-out moral theory will also afford places to supererogation and the pursuit of excellence.

Characteristically, Raz does not specify *for whom* the well-being of persons is supposed to enjoy ultimate value. One might plausibly guess that the value is relativized to agents: Jones's well-being is of ultimate value to Jones (but not necessarily to Smith), Smith's well-being is of ultimate value to Smith (but not necessarily to Jones), and so on. However, Raz does not present these values as being agent-relative, and the general tenor of his argument strongly suggests that the value he intends is impersonal. No justification of this value impersonalism is ever offered; presumably it is one of those moral truths that stands as a bare datum within his perfectionism.

The absence of argument is unfortunate. One may suspect that the subsequent development of his liberal theory trades on an ambiguity concerning the nature of the value that persons' well-being is said to possess. Certainly that ambiguity seems to infect his dismissal of right-based moralities. To be sure, much of what passes for contemporary moral theory involves declaring with all the solemnity one can muster that the deliverances of one's own conscience enjoy the status of unquestioned and imprescriptible rights. If Raz means simply to reject such *luft*-rights, one can only applaud. He seems, however, to have considerably more in mind than that. The rejection of a right-based morality is, for Raz, simultaneously an endorsement of one that is *value-based*. We can know what rights people have only if we have a prior understanding of what states of affairs are intrinsically valuable. Thus a theory of the right is consequent upon a theory of the good.

There is, though, an alternative both to free-floating rights and to rights crafted around exclusively impersonal value. It is to maintain that rights are morally derivative, but what they derive from is not value *sans* qualifier but rather from what is valuable-for-x, where the variable is an indexical that ranges over agents. So, for example, the fact (if it is a fact) that we all value our own lives may be the basis for alleging the existence of a right to life independently of any prior determination that the life of, say, Jones is ultimately valuable (not to anyone; just valuable) or that it necessarily presents itself as valuable to Smith. Raz might reply that since this proposed alternative also takes rights to be derivative rather than properly basic, it cannot contravene his argument against right-based moralities. If this were his response, it would suffice to win the point but not the campaign. For what he is endeavoring to show is not merely that rights claims, like other moral invocations, stand in need of justification, but additionally that the justification embraces ascriptions of value that

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apply to all people. Without that, his perfectionism lacks content, and his critique of liberal neutrality has not successfully been cashed out.

## *Is Liberalism Anti-Communitarian?*

The crux of the issue has, however, not yet been joined. Raz advances an additional and deeper objection to rights-based morality, namely that the *individualism* on which it characteristically rests is not sustainable. His development of this thought is exceptionally fertile and repays careful reading, but it is apt to mislead. Raz writes, "A moral theory will be said to be individualistic if it is a humanistic morality which does not recognize any intrinsic value in any collective good. In other words, individualistic moralities . . . hold that collective goods have instrumental value only" (198). The sorts of collective (or: public) goods usually presented by economists as exemplary do seem to possess only instrumental value: clean air, for example, or national defense. It is only insofar as they are means through which the various interests of individuals are advanced that they possess value. However, Raz identifies collective goods whose value is not merely instrumental but rather inherent. Social forms are such inherently valuable collective goods because they are constitutive of the possibility of autonomously pursuing modes of life that are themselves intrinsically valuable. For example, one could construct a shelter or cohabit with another person in the absence of collective practices and institutions, but one (logically) could not work as an architect or marry. To be an architect is, among other things, to be a member of a socially recognized profession, and marriage likewise is socially recognized and regulated. Whatever a homosexual couple may do with and for each other, it is not marriage because homosexual relationships do not participate in the relevant social form. (This is, of course, a contingent fact about the law of marriage.) Examples can be multiplied endlessly. What they cumulatively show is that, for nearly all of us, the possibility of leading a worthwhile life rests on the availability of social forms that function as collective goods. We have reason to value their maintenance through appropriately designed political institutions: "The provision of many collective goods is constitutive of the very possibility of autonomy and it cannot be relegated to a subordinate role" (207). Because moral individualism and the rights it acknowledges (primarily rights not to be coerced) relegate collective goods to subordinate, i.e., merely instrumental status, moral individualism is incompatible with the ideal of personal autonomy.

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It is hard to see exactly what to make of this argument. One should admit that Raz puts his finger on something very important when he points to the ubiquity of meaning-conferring social forms. The state of nature is not simply dark and dangerous; it is also a situation in which there is not very much of value that one could do even if one were let alone to do it. All of us, all the time are beneficiaries of the positive externalities cast off by the social forms within which we devise and pursue our projects.

But one can question whether the "individualism" Raz criticizes has very much to do with the predominant individualism of liberalism. As I understand the latter, it is the view that value ultimately manifests itself in the lives of individuals; there are not goods for tribes or nations or races over and above the goods of the persons who comprise the collectivity. That is why rights are ascribed to individuals and not the group. What Raz calls "individualism" seems better described as egoism, indeed egoism of a particularly narrow and jaundiced sort. While some expounders of liberal individualism such as Hobbes also subscribe to this narrow egoism, they should not be taken as paradigmatic.

Thus, one can readily concur with Raz's judgment that collective goods are of paramount importance for the well-being of individuals without drawing any particular political conclusion. In particular, one need not accept his inference that a state which restricts its powers of enforcement to restraining coercion thereby casts collective goods into a "subordinate role." It is totally groundless to suppose that social forms will be absent except where the state acts deliberately to contrive them. Rather, they will emerge, reshape themselves, and produce varied and unpredictable progeny in a state that takes upon itself no more than the policing of rights not to be coerced. We cannot know in advance what forms these will be or how long and how successfully they will persist. However, we do know this much: they will not be forms that rely for their maintenance on coercion. One example: many people find the presence of opportunities to practice a religion in the company of others a source of well-being. This opportunity will be available both in a pluralistic, liberal state and in a theocracy. In the former, individuals will develop and maintain religious loyalties as they see fit; in the latter they will be compelled or at least powerfully influenced to participate in the state church. It is a myopic and self-absorbed liberalism that can perceive no good in the latter system. Many individuals no doubt would take comfort from being enrolled in a comprehensive religious community from which there is no opting out and which brooks no competitors. That is why the impulse

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toward religious authoritarianism remains strong—and not only in "benighted" areas of the world such as the Ayatollah's Iran. State-enforced religious uniformity makes available various goods; only they are not goods that liberalism can countenance. A pluralistic order also affords valuable options, options not available within a theocracy. The state need do no more than protect individuals' liberty to congregate as they so choose in order to protect those avenues toward well-being. It would be erroneous to conclude that the liberal, religiously pluralistic society thereby displays a lesser regard for collective goods, that it takes them to be subordinate. Raz, I should hasten to add, defends a liberalism predicated on moral pluralism. Therefore, I am puzzled as to why he believes that his account of the importance of collective goods for the possibility of autonomy displays a defect within a (properly conceived) right-based individualistic morality.

### *Personal vs. Impersonal Value*

I argued above that failure to specify for whom the well-being of persons has ultimate value represents a lacuna in Raz's argument. He may, however, believe that he has anticipated this objection with his previously mentioned hint that "agents do not wish their desires satisfied if their belief in the existence of a reason for their desires is unfounded" (141). The idea is this: I desire to take the medicine because I believe that it will alleviate my headache. If that reason does not in fact obtain, if the medicine will in fact make the headache worse, then there is no value for me in taking the medicine. Desires do not constitute reasons, either for the agent or anyone else, but rather presuppose the existence of reasons not themselves dependent on the desire.

I believe this to be a powerful insight, though it remains underdeveloped in *The Morality of Freedom*. Here is one way in which it might be deployed in the service of Raz's perfectionism: The fact that some person P desires that state of affairs S obtain does not in and of itself render S valuable to P or to anyone else. S is of value only if there are reasons supporting S, and that is true even if the ascription of value is relativized to P. What can constitute reasons supporting S? Not P's desire, but rather the truth of certain propositions about S. It would seem then that reasons are not, in any privileged sense, derived from the agent. Rather, they must be impersonally validated reasons, reasons as much for anyone else as they are for P. But if that is so, then the value conferred by these reasons must

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itself be impersonal value. Hence the ultimate value possessed by P is not a value that bears only on P's choice of activities; instead, it properly enters into the practical deliberations of everyone.

This argument is suggested by Raz's doctrine of the reason-dependence of value to the satisfaction of desires, yet it is not an argument that he ever advances. Indeed, it is belied by the brilliant examination of consequentialism in chapter 11. There he acknowledges the existence of agent-relative value, value that obtains from the point of view of a particular agent. If I have a craving that will be satisfied only by biting into a crisp kosher dill pickle, then eating the pickle may be of considerable value to me although it is not valuable for everyone that I eat the pickle. By parity of reasoning, it would seem that my well-being may be of unsurpassable value to me but of less or no value to anyone else. Because Raz admits the existence of both agent-relative and agent-neutral value yet nowhere specifies criteria by means of which they are to be identified and distinguished from each other, one is left with no way of demonstrating why the former should be valued by anyone other than the agent. If, as I have argued elsewhere,[2] the case for liberalism rests on a proper appreciation of reason-conferring personal valuation, the gap is critical.

In the absence of an overt statement, one looks for circumstantial evidence. Raz's argument against *value-transparency* offers some clues. The claim that intrinsic values are transparent means "(i) the features of a state of affairs which make it intrinsically valuable are features which make it good for some agent or other, and (ii) a feature is intrinsically good only if, under normal conditions, the person (or other animal) for whom it is good is content with its presence and prefers it to its absence" (269). Raz rejects that claim. He maintains that the well-being of a person who derives contentment from his mistaken belief that his projects have succeeded, when in fact they have been a failure, is "compromised beyond repair" (298). Like Mill, he awards the decision to Socrates dissatisfied over the pig satisfied.

Perhaps a coherent conception of the nature of the value of personal well-being can be derived from this. A person's projects are his own. Thus success in achieving the ends toward which he has set himself, provided that the ends are not themselves unworthy is, in a straightforward sense, his success. Reasons indicating that he will best advance his ends by taking this path rather than that one are agent-relative reasons. However, agent-relativity does not translate into subjectivism concerning reasons. *Desiring* to take this path does not constitute a *reason* for taking it, and contentment during or after the fact does not prove that he has chosen well. A person's ability to introspect does not afford him a privileged

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position from which to determine whether he has been a glorious success or an abject failure. There is a fact of the matter, an *objective* fact of the matter, and like other facts it is not agent-relative. But this is not an evaluatively neutral fact; successful lives *are* intrinsically valuable if anything is. If the fact of an agent's success is a fact for everyone, is the value inherent in that fact not similarly a value for everyone?

No, it is not. Although what counts as a reason for Jones to judge that Jones's life has been a success also counts in just the same way as a reason for Smith to judge that Jones's life has been a success, it does not follow that the proposition *this will conduce toward Jones's success* amounts to a reason for Smith (and everyone) to act accordingly. There is a difference between (theoretical) reason to hold a proposition to be true and (practical) reason to act. Individuals may subscribe to the same propositions for the same reasons yet diverge significantly in terms of what they have reason to do. Both Jones and Smith may believe that eating a pickle will assuage Jones's craving, while only one of them is thereby afforded reason to act. Therefore, it is by no means clear why Raz maintains that well-being is impersonally valuable. The rejection of value-transparency may appear to him to validate that conclusion, but if so he has succumbed to an illusion. A crucial prop for his liberalism-by-way-of-perfectionism is missing: if the value that inheres in individuals' well-being is fundamentally personal value, then its significance with respect to political structures must be advanced from the perspectives of discrete individuals and not from a god's-eye view. Alternatively, Raz may simply claim to have *apprehended* the impersonal value of a pluralistic realm of autonomous beings, but his readers will be excused if they fail to share that insight.

## *Liberalism as Autonomy*

I turn next to Raz's treatment of autonomy. It is here that he touches base with the predominant tendency of contemporary liberalism. For many theorists, autonomy is *the* liberal virtue. Following Kant, they maintain that free, unmanipulated choice is the sine qua non for moral value. Raz also places very great weight on autonomy, but for different reasons. The preeminent status of autonomy within his version of liberalism is earned by default. Everything else that could serve as an underpinning for a liberal polity has been jettisoned along the way: neutrality, anti-perfectionism, fundamental rights, etc. Therefore, the sustainability of his enterprise hinges on demonstrating that autonomy is an indispensable good. I shall argue that he provides no such demonstration.

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"Autonomy" is a term the prevalence of which in contemporary philosophical literature is matched only by the carelessness with which it is often deployed. As used by many writers, "autonomous choice" is redundant: just so long as an individual's actions are truly voluntary, they are recognized as being autonomous. To his credit, Raz avoids this minimalist conception of autonomy. He acknowledges that a necessary condition for persons to be autonomous is that they are free from coercion and manipulation by others. Negative liberty, though, is not sufficient. Autonomy additionally requires that choices are (1) deliberately made (2) by a person who possesses appropriate mental capacities to plan, rationally evaluate, etc. (3) from among an adequate range of attractive options. It is contrasted with what Raz calls "independence," the mere absence of coercion and manipulation.

Not everything that matters deeply to us and affects our well-being is autonomously chosen:

> The relationship between children and their parents is an obvious example. Notwithstanding the fact that it can, and sometimes does, go badly wrong, it is a relationship that most people willingly embrace but do not freely choose. It is a relationship people are committed to and care deeply about. But it is not one which most of them have ever confronted in their own minds as an object of choice. (369)

Although the relationship between children and parents is not autonomously contrived, Raz does not deny that it can have moral worth. In this regard he sets himself apart from extreme Kantians who find all such affections heteronomous and thus empty of moral significance. But that also means that his task will be harder. Raz's brief for liberalism is based on the desirability of disseminating the conditions of autonomy. If autonomy were a constituent of all morally valuable states of affairs, then this brief would be compelling. But because there are morally valuable relationships which are not the product of an exercise of autonomy, it would appear that we might be able to lead worthwhile lives even in an environment that does not nurture the capacity for autonomy. That is, a liberal order may be unique with respect to the latitude it affords for autonomy but not unique at all with respect to maintaining the conditions for a good life. The question then arises: Why autonomy? It prompts the further question: Why liberalism?

One can detect in *The Morality of Freedom* two sorts of responses, which I shall call, respectively, the *wide* endorsement of autonomy and the *narrow* endorsement. The wide endorsement finds in autonomy a moral sig-

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nificance that transcends particularities of place and culture. The narrow endorsement is localized. Not surprisingly, they coexist uneasily.

I begin with the wide endorsement. There would be neither scope nor rationale for autonomy if, in each instance of choice, the correct response were predetermined by antecedent conditions. That is, if for each option a determinate weight of reasons were assignable by reference to a metric affording universal comparability, then the exercise of choice would, in theory, be unproblematic. Rationality would demand selection of the option that scores highest. In practice, of course, the absence of complete evidence complicates the choice procedure. Where choice is uncertain or risky, value gives way to expected value, and a straightforward maximization strategy might be replaced by a more cautious maximin approach: insuring against the worst rather than aiming at the best. Nonetheless, the postulates of decision theory dictate the appropriate course of action. There is no role for a special, i.e., autonomous contribution by the agent.

If, however, alternatives do not present themselves with weights neatly attached, then choice is not merely the mechanical application of decision-theoretical technique. Raz develops a complex and subtle argument to show that many of the most momentous choice situations that confront us feature alternatives whose values are incommensurable. There exists no common denominator in terms of which their respective merits can be neutrally appraised. Compelling reasons obtain for doing *this* and also for doing *that*; however, the reasons are strong in different ways, and nothing predetermines how the balance will be tipped. That is up to the agent. For example, friendship holds forth the prospect of achieving various goods, as does a life devoted to the pursuit of money. These options are, however, incommensurable and incompatible: "Only those who hold the view that friendship is neither better nor worse than money, but is simply not comparable to money or other commodities are *capable* of having friends" (352).

It is not possible here to do justice to the richness of Raz's discussion. Instead, I focus on the implication for autonomy. Where options are incommensurable, reasons do not dictate the direction of choice. That is not to maintain that choice among incommensurables is groundless or nonrational: there are strong reasons for choosing A and there are strong reasons for choosing B; only there are no decisive meta-reasons for preferring the A-reasons over the B-reasons or vice versa. The direction ultimately taken will be determined by the agent rather than by the force of external considerations. Choice between incommensurables is, therefore, *active*; it is not merely placing oneself in the position of a fulcrum.

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Activity, in its fullest sense, is manifested in the practice of autonomy. Individuals who possess and exercise a capacity for autonomy do not merely live out their lives. Rather,

> autonomous persons are those who can shape their life [sic] and determine its course. They are not merely rational agents who can choose between options after evaluating relevant information, but agents who can in addition adopt personal projects, develop relationships, and accept commitments to causes, through which their personal integrity and sense of dignity and self-respect are made concrete. In a word, significantly autonomous agents are part creators of their own moral world. (154)

Autonomy, so described, is Promethean. To be a *creator* of one's own moral world suggests a transcendence and dignity compared to which non-autonomous modes of life must seem a poor thing indeed. One would suppose that the ideal of autonomy would be of unsurpassable value for all people everywhere.

Surprisingly, when Raz presents the narrow endorsement he retreats from the clear implication of the preceding passage. In the penultimate chapter, "Autonomy and Pluralism," he writes that autonomy "is an ideal particularly suited to the industrial age and its aftermath with their fast changing technologies and free movement of labor. . . . For those who live in an autonomy-supporting environment there is no choice but to be autonomous: there is no other way to prosper in such a society" (369, 391). Rather than carrying Promethean overtones, autonomy here presents itself as being much like computer literacy or possession of a valid driver's license. Its value does not transcend specificities of culture but is tightly wedded to them. The narrow endorsement may justify promotion of the conditions of autonomy within environments that are already autonomy-supporting, but it justifies neither a crusade to disseminate social conditions supportive of autonomy where they do not now flourish nor even preservation of those features of our environment that render autonomy necessary in our lives.

The latter point is especially corrosive of Raz's enterprise. He assumes that one should act to shape people's dispositions better to mesh with their environment, but why not instead recommend shaping the environment better to accommodate our dispositions? It seems to be an open empirical question which strategy would be more conducive to human well-being. For example, both conservatives and communitarians frequently characterize the liberal order as anomic, as one that renders people homeless in the world. They contend that providing individuals a broad menu of

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foundational choices more often leads to schizophrenia than to any triumphant act of self-creation. Therefore, society should act to eliminate stresses entailed by a demand for radical choice. It should instead promote rootedness and the sense of knowing who one is and where one belongs. Public subsidies for mosques and Hasidic enclaves might do the trick, though not, one guesses, subvention for Unitarian churches. Just as the provision of public transportation makes the need for a driver's license less vital, so too would the promotion of traditional "organic communities" diminish the need for autonomy.

The implications of the narrow endorsement, then, are not essentially liberal. One might conjecture that Raz would do better to dispense with it entirely, to pitch his justification of liberalism exclusively in terms of the wide endorsement. What blocks this route, though, is his philosophical honesty. Raz is unwilling to dismiss all heteronomous relationships from his perfectionist morality because he realizes that much that is valuable in our lives did not enter through channels of autonomy. I previously referred to his discussion of the relationship between parents and children, a relationship he characterizes as valuable despite the absence of autonomous inception. But this example is hardly unique; many—and, arguably, most—of the value-conferring circumstances in which we find ourselves owe little debt to our capacity for autonomy.

We speak of "choosing" our friends, but that is usually a misleading locution. More often than not, we find ourselves simply growing to like someone, frequently for reasons we neither entirely comprehend nor are able to express. Nonetheless, friendships develop and through them we prosper. It would be less misleading to speak of friendships as "devolved" rather than as "chosen." If we are fortunate, we develop virtues of intellect and character, but I am not acquainted with anyone who has autonomously chosen such virtues. Similarly, loyalties to country or religion are modes of life we usually grow into rather than select like suits off a rack. The autonomist can ascribe no moral worth to such dispositions or affections. According to his account, the only valuable citizenship is that achieved through naturalization, the only creditable moral faith that of the convert. Raz is too sensible to be swept into such preposterous doctrine, but he will not allow himself to disown the ideal of autonomy. Thus he is led, almost inevitably, into equivocation concerning the circumstances of its value.

This is a terrible problem for Raz's liberalism, but it need not be a problem for all liberalism. Autonomy merits no special regard by liberals. A more convincing defense of the liberal order can be framed from the perspective of individuals who are committed to projects that afford

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coherence and meaningfulness to their lives. For project pursuers there is value—*personal* value—in being let alone to pursue those ends that matter to them *irrespective of whether those ends were deliberately chosen from a list of many worthwhile options or were instead simply "absorbed" during the course of one's life.* Although I never chose to be the child of these parents, I nonetheless have sufficient reason to demand freedom to give effect to the attachments I now possess. Within a liberal order I enjoy, as a matter of enforceable right, latitude to do so. Other individuals have reason to bend their energies to the pursuit of different projects and, so long as they respect the neutrally derived rights of others, enjoy an equal liberty. This is far too brief, of course, to serve even as a prospectus for a right-based, anti-perfectionist liberalism, but it suffices to illustrate the irrelevance of autonomy in the full-blooded sense invoked by Raz. What people have reason reciprocally to demand from others and provide to them is not autonomy but primarily what Raz calls "independence." (I defer to elsewhere an examination of whether, in addition to the negative liberties required for independence, there is also call for recognition of minimal positive claims to assistance.) It is ironic that Raz, the liberal iconoclast, should choose to adhere to the fashionable yet unavailing dogma of autonomy.

## *Razian Liberalism*

Even where *The Morality of Freedom* does not convince, it displays the highest virtues of philosophical craftsmanship. Therefore, it is with considerable disappointment that one surveys the closing chapter, "Freedom and Autonomy." It is here that one expects Raz's many promissory notes to be cashed. Alas, the checks end up bouncing. The prescriptions that he offers are woodenly conventional and perfunctorily argued. It is, by several orders of magnitude, the weakest chapter of the book.

Raz is now ready to defend a liberalism that protects liberty but also attempts to afford everyone the full range of other conditions requisite for autonomy. How does he justify this proposal? "Since autonomy is morally valuable there is reason for everyone to make himself and everyone else autonomous" (407). I have previously explained at some length why this is a non sequitur.

Raz maintains that positive freedom is among the ingredients of autonomy, morally on a par with negative freedom. He writes, "Every reason of autonomy which leads to the duties of non-interference would lead to other duties as well, unless of course, it is counteracted by

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conflicting reasons" (408). However, he nowhere illustrates what those conflicting reasons might be nor considers whether such conflict might be systemic rather than purely adventitious. The omissions are not trivial. Classical liberalism, as distinguished from contemporary welfare-state liberalism, maintains that there exists a fundamental asymmetry between non-interference and the provision of aid, and that, because of this asymmetry, the primary (though not necessarily exclusive) job of the state is to protect individuals' negative liberty. Classical liberals offer extensive arguments in support of the alleged special status within the political arena of non-interference. It is one thing to dismiss these arguments after subjecting them to critical review, quite another to ignore them.

Autonomy is promoted, one would think, by releasing individuals from the dead hand of the past. Apparently that need not be so: "A public culture which inculcates respect for the environment, and for its transformation at the hands of past generations, and which cultivates agreeable design and good taste in landscaping and urban planning, while not positively required as a condition of autonomy, is consistent with it" (422). The vagueness of the passage may be intentional, but I presume that Raz is here suggesting that an autonomy-based liberalism is consistent with legislation that protects buildings and terrain held to be aesthetically valuable. No doubt there are many lovely buildings in and around Oxford that he—and I—would like to see maintained. However, to mandate through law such a result seems genuinely to contravene autonomy. The individuals who own the property in question may have different ideas about what they would like to do with it, and restrictions imposed on them limits, if anything does, their exercise of autonomy with respect to what is theirs. That is not to maintain that legal protection of historic buildings is necessarily illicit, but it is to insist on the need for further explanation and justification. If autonomy may be restricted for the sake of other, primarily aesthetic values then what has become of the primacy of autonomy? To subsume historic preservation under the rubric of autonomy gives evidence less of a politics based on principle than one aiming at consistency with the modish tastes of one's neighbors and colleagues.

Raz worries, "One particular troubling problem concerns the treatment of communities whose culture does not support autonomy. These may be immigrant communities, or indigenous peoples, or they may be religious sects. . . . Since they insist on bringing up their children in their own ways they are, in the eyes of liberals like myself, harming them. Therefore can coercion be used to break up their communities, which is the inevitable by-product of the destruction of their separate schools,

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etc.?" (423) He proposes a compromise. Insofar as the community does not harm others and enables the members of that society to lead adequate and satisfying lives, it should be tolerated. Toleration, in his sense, does not entail encouragement or sustenance of the community but rather the deliberate promotion of a slow process of disintegration rather than rapid breakup.

Here, more than elsewhere, the contrast between Raz's liberalism and an anti-perfectionist liberalism grounded on personal value is evident. The claim that the children of the community are being harmed in virtue of being denied full opportunity for the exercise of autonomy is, from the latter perspective, dubious. Nor would it be sanctioned by Raz's narrow endorsement of autonomy. If the community has preserved a mode of life within which autonomy is inessential, there seems to be scant basis for judging that anyone is harmed. Raz might instead appeal to the wide endorsement, but that strategy impugns many of the relationships that afford value to those of us who are thoroughly accommodated to modernity. Most significantly, a non-Razian liberal might simply deny that perfectionistic scruples provide outsiders any reason to occupy themselves with the workings of the community. "Why should it be any of our business?" is a question that need not bespeak a cavalier self-absorption; it may instead reflect the considered judgment that individuals have reason primarily to occupy themselves with the projects that are their own. If people do not seem to want autonomy or take much note of its absence, the malady is theirs if anyone's. Just as liberal economies acknowledge a division of labor, so too does a properly conceived liberal morality.

Finally, I note that the chapter is strangely apolitical. Raz exhibits the various features of what he takes to be a decent social order but hardly pauses to reflect on whether and to what extent it is best pursued through the offices of government. He does observe that power is corruptible and hence should be hedged and fenced, but he recommends no principles through which government should be limited or structured so as to be self-modulating. The implication seems to be that the conditions of governmental failure are random and unpredictable, not themselves amenable to theoretical investigation.

Nor does Raz take seriously the possibility that society, as distinct from the state, might be capable of noncoercively generating the various goods, including autonomy, from which worthwhile lives are fashioned: "In most cases there is no other body nor any other social process which can achieve what government action fails to, that is the existence of a full capacity for autonomy to all members of a community" (428–9). So far as

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I can see, he nowhere provides evidence in support of his conclusion. To the contrary, his earlier arguments concerning the importance of social—*not* governmental—forms seemed to imply that autonomy is most efficiently and appropriately advanced through the presence of collective goods that emerge within the state but which are not its direct product. Raz's politics seems ultimately to present itself as a declaration of faith rather than the result of theoretical inquiry.

The liberalism Raz delivers is, I judge, stillborn. That is not merely the consequence of some inadvertent mishap along the way. Rather, it is because Raz's liberal convictions do not run deep. His attraction to liberalism is overshadowed by his commitment to a doctrine of perfectionism and, more specifically, by the apotheosis of autonomy. Despite the enormous philosophical skill that Raz deploys along the way, he is unable to show that autonomy-centered perfectionism is supportive of a liberal politics.

I have previously argued that the narrow endorsement can be turned to the advantage of communitarianism. We might similarly observe that the wide endorsement can buttress radical iconoclasm. The radical is deeply wary of anything that might serve as an opium for the masses. Like Nancy Reagan, he counsels that we "just say no." If social forms function as sources of contentment and satisfaction for people who, without much intense deliberation and evaluation of options, accept their benefits, they can be indicted on grounds of being inimical to the possibility of genuinely autonomous choice. For the sake of consciousness-raising these inheritances from the creativity of past generations must regularly and repeatedly be swept away by a cadre of Red Guards or Dadaists. Only then will self-creation bloom.

Although Raz has some communitarian leanings, they are not extreme. He is, for example, not inclined to shower scorn on modernity and pluralism after the fashion of an Alasdair MacIntyre. Even less is he an exponent of incessant radical restructuring. His is essentially a conservative disposition: deeply appreciative of the social forms that enhance the human environment, seeing them as conveyors of impersonal value, loath to leave their fate to the working of an Invisible Hand, and desirous of extending their benefits as widely as possible. The attitude is, in many ways, admirable, but it is not easily squeezed into a liberal bottle. Anyone who reads *The Morality of Freedom* with care will profit. It is the deeply original and rigorous product of a gifted philosopher working at the height of his powers. Even in this extended review I have been unable to include mention of all the philosophical discussions it notably advances. The one thing it does not do, however, is fulfill the promise of its title.

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*Jeremy Shearmur*

# FROM DIALOGUE RIGHTS TO PROPERTY RIGHTS: FOUNDATIONS FOR HAYEK'S LEGAL THEORY

*Hayek's philosophy of law has Kantian features, but he offers indirect utilitarian arguments for them. Hayek's argument might be strengthened by considering that the utilitarian has an interest in issues of truth and falsity and thus in the individual as the bearer of critical judgments. Individuals might thus be accorded "dialogue rights" upon a (Popperian) epistemological basis, an idea which is further strengthened by the consideration that dialogue may be extended to the appraisal of the validity of utilitarianism. Moreover, such dialogue rights should be interpreted in large part as property rights.*

Hayek as a young man was a socialist. He wished to reconstruct a social world which gave rise to misery and to profound dissatisfaction. He was led, through his encounter with Ludwig von Mises, to espouse a form of classical liberalism. This, he argued, would provide a better path than would socialism to the realization of his ideals.

Now, one important theme in Hayek's liberalism, as he subsequently was to develop it, is the ideal of equality before the law—that, in constitutional terms, individuals should be accorded equal rights. Hayek further favors the ideal of the minimization of coercion of individuals, as part and

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parcel of which government also is to respect individuals' rights. All this, however, is argued for upon a basis that is broadly utilitarian in its character. Such ideas make their appearance in Hayek's *Freedom and the Economic System* and in *The Road to Serfdom*. But it is in Hayek's *Constitution of Liberty* where they appear in a full-fledged form. Indeed, John Gray, when discussing Hayek's work, while he noted the "fundamental utilitarian commitment in [Hayek's] theory of morality," also wrote that "Hayek has always been an ethical Kantian"[1] and that

> What is distinctive in Hayek's Kantian ethics is his insight that the demands of justice need not be competitive with the claims of general welfare: rather, a framework of justice is an indispensable condition of the successful achievement of general welfare.[2]

While I would have reservations about Gray's "always"—at least if it is intended as a statement about Hayek's published work—his description does seem to me to fit Hayek's *Constitution of Liberty*. However, it describes a claim rather than an "insight." And what—one might wonder—would someone make of this claim who accepted Hayek's arguments for liberalism up to this point on broadly utilitarian grounds, but who did not feel any particular sympathy for the idea that individuals should be accorded *equal* rights? They might well wonder: has Hayek actually provided an *argument* as to why individuals should be treated in this way?

It would seem as if, by the time he wrote *The Constitution of Liberty*, Hayek did not wish to disagree with those who believed in "the value of liberty as an indisputable ethical presupposition."[3] But he was well aware that "to convince those who do not already share our moral suppositions, we must not simply take them for granted." He goes on to say that "we must show that liberty is not merely one particular value but that it is the source and condition of most moral values," and, further, that "We can therefore not fully appreciate the value of freedom until we know how a society of free men as a whole differs from one in which unfreedom prevails."[4] But this—while indicating that he will be concerned with consequentialist arguments—perhaps begs our question, by the reference to "as a whole."

Indeed, when Hayek later refers to the issue of the universality and equality of rights in *Law, Legislation and Liberty*, he refers simply to his wish "to continue on the path which since the ancient Stoics and Christianity has been characteristic of Western civilization." But this would not cut much ice with our utilitarian—who is neither a Christian, nor a Stoic. What *would* Hayek have to do to show our utilitarian that he should be a

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liberal in Hayek's sense? Is it *really* the case that broadly utilitarian concerns lead to liberalism, at all?

On the face of it, Hayek would have to show that circumstances can be expected to arise within a liberal social order which would be favored by the utilitarian, and that alternative forms of social order would be likely to have defects such as to make them less attractive.

But over and above this, he would face another problem close to that which, on some interpretations, also faced J. S. Mill.[6] For Hayek would seem to have to argue a case for taking each individual as something close to an end in himself, and for respecting the contents of his choices, from broadly utilitarian premises. (Or, at the very least, he must argue that there is no conflict between all this and utilitarianism.) In addition, as Raymond Plant has argued, there is a constraint over Hayek in his responses to such problems. For he must provide responses that lead to individuals' being accorded rights of the sort that he favors (i.e., rights appropriate to classical liberalism, a *Rechtsstaat*, and a non-market welfare safety-net). But the basis on which he argues for these rights must—presumably—*not* also support according to individuals positive rights of a stronger kind, incompatible with his liberalism.

Let us briefly consider, then, some of the problems that confront Hayek as a liberal who wishes to argue his case in utilitarian terms. (Our discussion may also contain something of interest for those who wish to argue to liberal conclusions not in utilitarian but in Hobbesian terms, as precisely the same problem about all individuals getting the same rights occurs there, too, and the same or closely similar problems must be overcome.)

## *Equality before the Law*

First, consider the idea that the law should apply equally to all citizens.

Hayek can of course point to the advantages to all citizens from membership of a large society in which there is practiced the social division of labor; where individuals, under the rule of law, are free to choose their own occupations and act on the basis of their own knowledge, and where their activities are coordinated through market mechanisms. Suppose (for the sake of argument) that Hayek is correct that such a society with a welfare safety net will, all things considered, do better in terms of the well-being of its citizens than a centrally planned society or a society in which social justice is pursued politically.[7] This would not,

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however, in itself explain why the laws of Hayek's favored society should give equal rights to all citizens.

Clearly, there *are* utilitarian arguments for this, related to the kind of social order that Hayek is envisaging. In such forms of social organization, citizens are typically dealing (in economic transactions regulated by the legal system) with individuals with whom they do not have face-to-face relationships. There is thus a clear advantage to them if they can deal with such people as legal agents in as abstract and general a form as possible. And so, *ceteris paribus*, they will not want to face the high information costs that variability in the law with respect to different individuals may bring with it.

There may also be some (although smaller) costs that follow from the problem of identifying individuals who have different rights even in situations where we *are* in face-to-face contact with them. More importantly, in face-to-face situations most of us[8] would, I guess, feel that all kinds of human and cultural disadvantages result if people have radically different rights, as opposed to all relationships being with citizens who share a basic legal equality. (I.e., I guess that most of us would, with Rousseau, aesthetically prefer life in a society without dependence, although we would wish to extend it further than he did—i.e. beyond *men*!)

However, it is by no means clear that the quantitative gains that one might make from engaging in interactions with other individuals as formal equals, together with qualitative gains of the kind indicated above, will constitute sufficient utilitarian grounds for the law being genuinely universal in its character (and thus for every individual's having the same formal rights).

Identification and informational problems may be susceptible to various forms of technical solution. It is striking that the credit card, with machine readable information, already provides ways in which discrimination may easily be made between individuals of different status.[9] Human beings have (unhappily) also shown themselves all too adept at the construction and successful living out (by *all* parties) of cultures in which there is not formal equality (think only of the history of the relationships between men and women).

It is also by no means clear that the results of a utilitarian comparison of exploitation and of freedom will go Hayek's way. There may be huge gains to the exploiters if a minority is exploited—say, most radically, by their being "farmed" as an organ bank for transplant operations for the majority. In this grim situation, their use for transplants apart, the minority may engage in the ordinary transactions of a liberal society with their exploiters. It *might* also be the case that the exploited minority are not all

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that unhappy. If someone is so used, their heirs may be given a sum of money. If the risk of their being "used" in this way is low, they may not be able to feel any more about it (until it occurs) than we do about, say, the risk of being struck by lightning. They might be chosen by lot. And it is also quite possible that—as a rationalization of such a relationship—they might come to accept some belief, custom or ideology that enables them to feel good about being exploited.

Now, it is by no means clear that, on utilitarian grounds, all this would be outweighed by: (i) the gain in well-being on the part of the minority if they were no longer exploited; together with (ii) such gains as there might be to the majority from the fact that they would now only interact with citizens with *one* status before the law.[10]

The liberal utilitarian—the person who wants to extract the doctrine of equality before the law from a doctrine of utility—would thus seem not to be in a strong position. But what of Hayek's argument—which appears both in *The Road to Serfdom* and in *The Constitution of Liberty*—that "liberty is not merely one particular value but . . . it is the source and condition of most moral values"?[11]

If this is meant as an argument to the effect that well-being is promoted by liberty, then it will be open to criticism on the grounds indicated above (i.e., that it would look as if there are cases in which general well-being is promoted by some individuals *not* being accorded full rights). Yet if it is to be taken as an argument that the good—say, virtue—is only the good if it is chosen freely, it will have little appeal to those who favor a consequentialist ethic such as utilitarianism.

Even those who agree that it is something like virtue that is all-important (taking "virtue" as a shorthand for those elements of the good the moral character of which depends upon their being freely chosen), the case for liberty is not sewn up. For someone could well argue for paternalistic restrictions on liberty (say, against drug taking) in order to maximize, in the long run, the occurrence of virtuous acts; or argue that paternalistically imposed education is needed in order to supply to individuals what will form the content of a morality of virtue; or that for individuals to be able to practice moral values requires that material prerequisites (such as food) be satisfied, the provision of which requires restrictions on the liberty of others that are not compatible with liberalism.[12]

If the virtue argument is widened to include an appeal to some idea of the individual creating himself—to his being something like a work of art—this, also, will prove far from conclusive. For such a view is vulnerable to what might be called the Pygmalion objection: that someone else

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might be able to make a much better job of ourselves as a work of art than we can, on our own. And even if these arguments could be met, there would *still* be the problem of why *everyone* should be accorded such concern – rather than, say, some people sacrificed to the greater virtue of others.

### *Respect for the Preferences of Each Individual*

Let us look at these issues in more detail. First, Hayek believes that we should respect the preferences and choices of each individual. Why should we do this? Presumably, because they are thought to provide the best path to knowledge of what will satisfy and what will dissatisfy that individual (to say nothing of their relevance to higher-flown ideas about individuality). A case *can* be made here for paternalism. But it is one to which it is not too difficult for Hayek to reply, if he makes use of arguments about the availability of knowledge along the lines of Mill's *On Liberty*, and if he demands that we take a *realistic* as opposed to an "enlightened despot" view of the likely performance of those manning the political institutions that are allocated a paternalistic role. I will thus assume that Hayek could make out a reasonable case for confining paternalism to children and to governmental measures of a sort that do not call into question his ideas about the legitimate sphere of governmental action.

More serious, perhaps, are problems about the manipulation of individuals' tastes: of whether individuals' preferences are a good guide to their well-being, given the influences to which these preferences may be subject in a market-based society. These influences might be argued to fall within a continuum, ranging from brainwashing, through socialization, to the influence of advertising in a pluralistic setting.

At first sight, it might be thought that Hayek has a strong case, just because he would seem to have something pertinent to say about either end of the spectrum. Brainwashing would seem to be ruled out, for Hayek, by the fact that it would involve coercion; while on advertising Hayek has written briefly, but spiritedly – for example, in his response to Galbraith.[14] Here he argued that the influence exerted by advertising poses no serious problem provided that the power to influence people is not in the hands of just one person or organization.

Hayek himself was clearly concerned only with matter-of-fact issues that Galbraith had highlighted, rather than with the deeper problem of the multiplication of needs in commercial society, as discussed, variously, by Mandeville, Rousseau, Smith, Hegel and Marx. However, there is

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more depth than one might suspect to Hayek's response. For he also raised an important problem for those—like Galbraith—who complained about the manipulation of preferences. Hayek pointed out that tastes such as those for opera are clearly not natural to us, but that they are something that Galbraith would presumably not wish to condemn. He might have added that such tastes may well have to be acquired *initially* through processes involving cultural snobbery, the wish to impress, etc. (That is, if there is a threshold that has to be crossed before people begin to enjoy the things in question, and if one does not wish to coerce people into such tastes.) All this would seem to make it incumbent upon Galbraith—or some "deeper" critic of liberalism on such grounds—to offer a *theory* relating the desirable conditions for the formation of preferences to considerations of individual well-being. If my argument here is correct, the critic of liberalism would seem to be faced by a massive problem which he would need to solve prior to his being able to make his criticism.

However, this weapon may prove double-edged, in that if the *problems* that I will discuss below concerning the authenticity of preferences amount to anything, some such theory might also seem to be needed by the liberal.

I would indeed admit that cases may exist of inauthentic preference or of false consciousness, which are generated and sustained by forms of social interaction which do not involve coercion. This may happen in interpersonal relationships. (See, for a possible case—which, while initiated in a way that involved coercion, seems to have been later sustained without it—Linda Lovelace's account of her relationship with Chuck Traynor, as recounted in her book *Ordeal*.)[15] Similarly, it seems plausible that some patterns of group interaction (such as those found in certain religious sects) may sustain beliefs in such a way that they may deserve to be called ideologies, and, in consequence, that they may generate preferences which can be described as inauthentic. Those who participate in such social relationships may be insulated from anything that can call their beliefs into question. Such groups may thus practice forms of behavior that—perhaps unintentionally—render their beliefs "immune" to criticism. And they may not be aware of the fact that this is taking place.[16] What is more, such cases of individuals and groups highlight—in an extreme form—things that occur more widely in the day-to-day lives of us all.

If we consider social factors as affecting the way in which beliefs are maintained,[17] it is not difficult to see the beliefs of many people in many kinds of situation as less than authentic, and their preferences as therefore not necessarily constituting a reliable indication of their interests. To the

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extent to which this is the case, it is not clear why those preferences demand the respect that is accorded to them by liberals. Clearly, should we argue thus, we would then stand in need of a theory to assist us in discriminating between what is, or is not, an authentic preference, or, more accurately, what are and are not conditions under which people's views are not open to criticism. However, as is the case with more ordinary arguments concerning paternalism, it may be that while we can recognize a problem about preferences as they currently stand, the likely consequences of any alternative set of institutional arrangements might seem worse.

A further problem concerning the respecting of individuals' preferences is raised in a paper by Martin Hollis which argues (with reference to *Brave New World*) that, from a utilitarian perspective, the simplest way of getting people to be satisfied would presumably be to change their physiology, such that they would then be more easily satisfied in existing or even more modest circumstances.[18] To take some substance (which, I would suggest, might be called "Stoite") which would change people's physiology such that they would be rendered deliriously happy by the most modest of circumstances, is something that any utilitarian might find difficult to resist, for him- or herself, or on behalf of others.

The most obvious response to such problems would be to have recourse to Mill's arguments for the higher pleasures. Mill's argument—as reconstructed, for example, by John Gray[19]—was essentially that the Socratic pleasures of a life involving risk and responsibility outweigh the piggish pleasures of a lower-grade existence. But this reply is here of no avail. For the kind of satisfaction accorded by Stoite might be so engineered as to easily outweigh the *pleasures* of a life of autonomy and responsibility—to which, if the argument is to stay utilitarian in character, appeal must be made.

The more usual liberal arguments for liberty as an engine for the production of utility would also seem to be trumped. As the taking of Stoite promises optimal satisfactions, research on alternative ways of achieving satisfaction becomes pointless. And Hollis's own way out of his problem—a normative theory of human nature—seems to me to be of no use either, unless it is explained how this is other than an arbitrary stipulation.

### *The Epistemological Twist*

I would like here to explore one way in which these arguments might be met. One of our concerns, above, was to see if something akin to a Kantian

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ethic of respect for persons could be generated from a consequentialist position which, at its toughest, was a form of utilitarianism. This has customarily been done by adding to utilitarianism some ideal or moral element, whether directly, or through an analysis of the supposed properties of moral language.[20]

Let us eschew anything of this sort as question-begging, and (initially) restrict our argument to the confines of a hard-nosed utilitarianism. Is there anything that, from such a perspective, might assist us? I believe that there is. For if we are utilitarians, we are concerned with the relief of suffering, and with the promotion of happiness. And these depend on matters of fact. As a result, *qua* utilitarians, we have an interest in pertinent matters of fact, and thus—I suggest—in other people through the contribution they can make to the discovery of the truth or falsity of claims about such matters of fact.

If one feeds into the argument at this point some not implausible ideas from epistemology—in the sense of a theory of the growth of knowledge (say, of a kind roughly like that of Popper or of Peirce), which I have argued elsewhere is an approach which makes good sense of much else that is to be found in Hayek's work[21]—one has an argument for treating people as ends in themselves generated *within* utilitarianism. For, to put this "epistemological twist" at its most stark, while the utilitarian might be able to outweigh respect for the preferences of one individual by those of others, things are very different when one is concerned with the individual as a source of cognitive judgments. For here, one single counter-example—one single judgment—is enough to show that some statement is false. And there is a *prima facie* argument for treating individuals as ends in themselves *qua* sources of such judgments. The contribution—or indeed the possible contribution—of each individual becomes something of interest in itself and, as a consequence, so does the individual who is its bearer. Individuals, that is to say, should be accorded what might be called "dialogue rights" *by the utilitarian*.

To be sure, particular judgments made by individuals may in some sense be overruled (e.g., if others cannot find the effects which they claim to exist). But this overruling is not *merely* done as a matter of head-counting.[22] And one striking feature of the fallibilism of Popper or of Peirce is that it indicates that we may always have something to learn, even about those things which seem most clear-cut; and even from—as Popper points out, citing Burke[23]—those people who, on the face of it, might seem to have the least to offer.[24]

My suggestion is thus that via our "epistemological twist" we can on utilitarian grounds accord "rights" to individuals who can—or might be

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able to—make contributions, however humble, in their role as bearers of cognitive judgments.[25] Furthermore, the character of these rights is given to us by epistemology, in the sense of a theory of the growth of knowledge. (There is here, clearly, a parallel with Jürgen Habermas's theory of communicative competence.)[26] Popper's ideas about "conventionalist stratagems" may also serve as the basis of a theory which can explain which kinds of social formation illegitimately protect people's views from openness to criticism.

The theory of knowledge also furnishes us with an argument as to why individuals should be accorded autonomy, in the sense that their judgments should not be dominated by those of other people. For their judgments are supposed to provide independent tests of claims made by other people.[27] Individuals should thus be accorded a measure of respect as if they were ends in themselves, at least in this area of their activities.

However, our approach also suggests that these rights might be subject to certain qualifications. The rationale for according individuals rights, and the character of those rights, are derived from considerations in the theory of knowledge. It is on the basis of epistemological considerations that individuals are to be accorded freedom from involuntary domination. But what of domination that does not involve coercion—and the right that individuals may claim to join, voluntarily, a religious sect, or a monastery, membership of which may have the unintended consequence of cutting the individual off from participating in the wider learning process?

It would, indeed, seem to me that *prima facie* they would not have such a right.[28] However, on practical grounds one might argue that there is less of a risk—to the growth of knowledge—from giving people such rights than from setting up some social institution with the power to pass judgment as to what institutions an individual is—or is not—to be allowed to join.

## *Four Objections to Dialogue Rights*

It may be useful here to respond to four possible objections to these ideas.

(1) The introduction of "Stoite" (see above) might seem to pose an insuperable difficulty: why should individuals be accorded "dialogue rights" on utilitarian grounds, given that Stoite acts as ace of trumps when we are playing the game of utilitarianism? It might be thought that the obvious response from my position would be: don't take Stoite, as you (and others) need your wits about you to think how you might best be

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satisfied, to solve problems, and, generally, to engage in dialogue about issues relating to utility, etc. But against this, it can be argued that if people take Stoite, such activity is not needed, as everyone will be fully satisfied anyway.

The objection is, I think, valid if the argument is put in such a form. However, all that needs to be done is to raise the epistemological argument to a higher level. For rather than debating about happiness, we can debate about Stoite itself. All kinds of claims have been made about Stoite and its properties. But are these claims true? These, like any other such claims, stand in need of scrutiny and thus of scrutinizers—and thus of individuals with dialogue rights of the sort that we have described. (What is more, they also should not be taking Stoite while engaged in such activities if it affects their judgment!)

(2) This naturally leads on to the next issue: haven't we simply created a paradise for abstemious intellectuals, in which all resources would have to be diverted from enjoyment into investigation—which is an odd view for a utilitarian to take?

It seems to me that an answer of sorts can be given from within our "cognitive" perspective. For in order to evaluate certain claims we will have to be concerned not just with abstract argument, but also with trying out various ideas in a practical way. Such appraisal will require command over resources, the development and use of practical skills, and even experiments in living.[29]

(3) A critic might also object that all that we have given rights to is a person's intellectual capacities; and, pointing to the fact that in the classical world intellectuals were sometimes slaves, he might ask whether the "dialogue rights" we have developed so far might not be more restrictive in their scope than they may have seemed. Could not intellectual emancipation be quite compatible with social domination? An answer to this is, I think, provided by the ideas suggested in the previous paragraph. For if we are also concerned with experiments in living and tacit knowledge, rather than just with abstract theoretical knowledge, it would seem that we would have the basis for an argument for rights that go beyond the merely intellectual, to encompass fuller social liberties of the sort needed for experiments in living.

(4) It might further be argued that I have been engaged in some sleight of hand. For I started with the problem of respect of the *preferences* of individuals; but I have discussed only their *judgments*.

It does seem to me that a cognitive approach can—and should—be taken to much of what is often treated as mere preferences; but I cannot

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discuss this issue here.[30] What I can say, in mitigation of the line that I have taken, is that it is certainly possible for us to take many of our preferences as having a cognitive element—i.e., as involving a judgment that some object has the property of, for example, giving us pleasure of a particular sort. Now, the cognitive aspects of these preferences will be accorded weight and protection by virtue of our epistemological twist. But the non-cognitive aspects of our preferences, and non-cognitive uses of rights which people are accorded for cognitive purposes, may also receive protection—as a side-effect. That they receive such protection is a contingent claim, and it rests on the hypothesis that there is no *practical* means of protecting one without the other which will not, in its turn, generate other, more undesirable, unintended consequences.

This claim *may* itself prove incorrect. It is also possible that, even if this claim is correct, it may be felt that there is something wrong with our argument: is it acceptable that important steps in our argument have such a contingent character? To this, the appropriate response is that Hayek's own argument depends entirely on such contingencies. For, clearly, an omniscient God *could* be a central planner; and many of Hayek's own arguments depend on (presumably contingent) facts about the ways in which human beings are limited in their knowledge.

### *Plant's Challenge*

It might be argued, however, that insofar as any of the above is successful, it walks into the trap set for the market-liberal by Raymond Plant.[31] For if people are to be accorded rights of the kind favored by (classical) liberalism, because of the epistemological role that they might play, should they not also be accorded "welfare rights" too? For could these not also be presented as having an "epistemological" rationale: if a citizen is to be able to contribute, he or she would seem to need such resources as would enable him to play a full role as an active civic participant.

It seems to me that, as Hayek's argument—and our argument here—is at bottom utilitarian, the issue of whether such rights are admitted, and to what extent, must be empirical in character. I cannot address the substance of this issue here, for reasons of space, other than to indicate that I think that much the same arguments as Hayek is able to use against the desirability of *high* levels of welfare provision for reasons of human well-being should apply here, too.

Aside from the existence and quantity of such entitlements, should they be called "rights"? Nothing much depends on words—and I would have

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no objection, *if* we can agree that they should exist, that they be called rights, provided we remember that such "rights," like all others within this approach, are derivative in their character from utilitarian considerations. Hayek does espouse the idea of a welfare safety net. And if that is desirable on utilitarian grounds[32] there would seem to me no reason why an individual's entitlement to its protection should not be called a right—although it would, in some ways, be rather different in character from other rights.

## *The Rights of the Talking Chicken*

There is, however, one major difficulty with the approach that we have taken so far. It is that the point of valuing the individual's cognitive contribution is through the contribution that this can make to the goal of utility. As such, it competes with other contributions that that individual might make—for example, as an object to be consumed by others.

Now I suggested above that from a utilitarian perspective, it might be possible to sanction gruesome arrangements in which, say, a minority were treated as something like living organ banks for the majority. In such a situation, does our "epistemological twist" cut any ice?

It may not, in that the cognitive contribution which the people in question might reasonably be expected to make might well be outweighed by the contribution that they could make as objects to be consumed. The situation is not unlike that, say, of a talking chicken who tries to preserve his life through pointing out the cognitive contributions that he might have to offer. But his interlocutors might be hungry, and getting hungrier. And they might *correctly* judge that the chicken could contribute more to utility if he is eaten than through his contributions to our factual knowledge. Even when their interest is concentrated exclusively on eating chicken, he might stall them by engaging them in discussions about chicken recipes. But not only would this seem demeaning (and thus far from the kind of rights in which the liberal is interested), but, as they got hungrier and hungrier, there would come a point at which what was to be gained from one recipe rather than another was simply of no further interest to them. The end—utility—in terms of the achievement of which rights were being accorded would, in such a case, itself serve to trump those rights.

Is this the end of the road—not just for the chicken, but also for our line of argument? If so, while it has got us some way, it has fallen short of what a liberal might hope to achieve.

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## *The Cognitivist Twist*

There is, I think, a further move that might be made here. For all of the above—including our discussion leading to the sad fate of the chicken—was conducted within utilitarianism: a substantive ethical theory, the correctness of which was taken for granted. (Or, more precisely, our concern was to see if rights of a character familiar from classical liberalism could be generated from within utilitarianism.) This, in itself, would indicate that there is a further move that the chicken might make: he might engage with his would-be butcher not over the utility of killing him as opposed to listening to what he might have to say, but over the correctness of utilitarianism!

At this new level of argument, a further case can be made out for rights for the sake of individuals' cognitive contributions. The situation here is somewhat more complicated, given the fact that there are clearly disanalogies, in terms of both goals and the methods appropriate for their achievement, between ethics and empirical knowledge. But it seems to me that there are sufficient similarities for an argument like that in the previous sections to go through.[33]

I elsewhere have set out such a theory of ethical argument, by way of an adaptation of Karl Popper's ideas on epistemology and ethics.[34] It amounts to the replacement of the utilitarianism in terms of which we have been arguing so far by what is, in effect, a fallibilistic ethical intuitionism at the level of particular judgments, where individuals' judgments are subject to control by intersubjective consensus, in close parallel to Popper's ideas about the "empirical basis" of science. Against such an "empirical basis" of ethics, ethical principles may be tested as to their validity. It would seem to me likely that the procedures of such a theory might well generate, at the level of substantive ethical judgment, a consensus that suffering is bad and, other things being equal, that it is good that people should be able to satisfy their desires. This would thus *simulate* at least some aspects of utilitarianism.

That consensus would itself generate the problem with which we have been concerned so far: what are the appropriate institutional arrangements for the promotion of utility; and what are the merits of classical liberalism on this basis? However, our cognitivist twist would strengthen the argument, developed within our utilitarian setting, for according "dialogue rights" to the individual. For it would allow the individual to call into question utilitarian values if they should prove a threat to his own existence. For he and other citizens are now accorded dialogue rights of

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an enhanced character: ones that cannot automatically be trumped by utilitarian appreciations of themselves as objects to be "consumed."

But what of the acceptability of these ideas concerning dialogue about ethical issues? If we are faced with people who are cognitivists and fallibilists in ethics, and are willing to accept that the patterns of argument in ethics are close to those in matters of fact, then our argument goes through very simply. But such strong assumptions are probably not needed. For many non-cognitivists accept the legitimacy of just such argumentation concerning the formal character of ethical discourse; and they accept, further, that such discourse may have consequences for matters of substance in the field of ethics (they might thus be called meta-ethical cognitivists).[35]

The biggest problem would seem to be with the ethical nihilist. If he can be engaged in argument, then there is a toehold for the establishment of "dialogue rights" of the sort with which we have been concerned. But why should such a person be interested in talking? As Nozick justly said, his response to Socrates should not be to argue with him, but to hit him over the head.[36]

The liberal who is after "dialogue rights" even here seems to have an advantage, in that, as a matter of empirical fact, people seem to be moralizing creatures who typically wish not just to do things, but to feel that they are right in doing them. Into such feelings our dialogue apparatus—and hence something that will serve as the basis for according dialogue rights to others—might be plugged.

However, even if it were empirically the case that *everyone* possessed such a disposition to moralize, this would not necessarily secure what the liberal requires. For we might well become convinced that this disposition should not be accepted in the way in which it presents itself to us. For instance, it seems quite possible that sociobiologists might be able to convince us that we are, here, simply the victims of drives which we possess because we are the instruments through which genes reproduce themselves. And if this were the case, we could, surely, decide to disregard such promptings to morality. For why—we might reflect—*should* we (who clearly have a choice in how we behave) consent to being used as instruments by genes for which we may not care a fig? Other human beings, as our dispositions to morality cause them to be presented to us, may seem objects worthy of consideration. But if we discover that the way in which we appreciate them is the result of something like a biological plot by means of which a virus-like object manages to reproduce itself, we may, quite rationally, accord such "moral promptings" no moral weight at all.[37]

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I am not arguing that such a sociobiological theory is true; merely that, if it were true, we could well come to view the promptings of our conscience and the wish to be ethically justified as something that should not be given the kind of weight that seems merited by the way in which it presents itself phenomenologically. This does not mean that such impulses should necessarily be disregarded; but it is not clear why they should be attended to when they are in conflict with our own self-interest.

However, it could be argued that the biological knowledge on the basis of which such a judgment is made must itself by validated via an interpersonal process in which others must be accorded rights for the sake of their possible cognitive contribution—just as in our earlier discussion of Stoite. Our appreciation of the fallibility of all human knowledge may also make us slow to *disregard* our ethical impulses, just because of the risk that the sociobiological theories that led us to do so may not be correct.

But what if people do not have moralizing dispositions, or if they become convinced, say through empirical argument in the field of biology, that the promptings of such dispositions are not to be taken at face value? What, in such cases, have we achieved? Our cognitivist twist would, indeed, have been blocked. And utilitarianism as a substantive ethical theory (constructed upon our moralizing dispositions) would also go under—and with it the epistemologically based arguments for rights, as presented so far in this paper.

Could anything be saved? Dialogue rights would, I suggest, still be warranted to a limited extent, in the sense that insofar as such people will want cooperation from others both socially and in their cognitive capacities, it will be in their interest to extend some such rights to them. But these rights would be subject to even more severe limitations than would the rights of our talking chicken, in that these dialogue rights could be trumped simply by the self-interest of one's interlocutor.

In such circumstances, all is not completely lost for the liberal. For such a situation adds something to the starting-point for contractarian arguments like those of Buchanan and of Gauthier, from which—they would have us believe—liberalism of a sort can be extracted. However it isn't clear to me how, in the face of coalitions of the strong, Buchanan and Gauthier are able to generate a theory of equality before the law, and thus make the world safe for chickens. And being myself a chicken rather than a butcher by temperament, and certainly sympathetic to their plight, I am inclined to explore further what might be done with epistemologically based arguments, rather than to join in the currently more fashionable exploration of forms of pure contractarianism.[38]

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### *Provisional Conclusions in Favor of Dialogue Rights*

I have, by developing the link between Hayek's thought and the critical rationalism of Karl Popper—a link which may also be made on independent grounds, as I have argued elsewhere—been able to add some arguments to Hayek's. These, at the very least, do something to bolster the underpinnings of his Kantian-like ideas about the rule of law. These ideas about the rule of law play an important role in Hayek's thought. But they hardly follow from his utilitarianism as he presents it, and are not obviously even compatible with it. What is more, while the line which we have taken is perhaps a strange one, and may run into difficulties, it is not as obviously question-begging as would be a straight appeal to substantive but highly contestable moral ideas, or to equally contestable theories about individual rights.[39]

The essential point here—as Hayek himself recognizes in a passage quoted at the start of this paper—is that whatever one may oneself feel about the correctness of some ideal such as individual freedom, the only arguments for it that carry any weight are those that appeal to ideas that are not themselves contested by one's interlocutors.[40] It is for this reason that I have couched my argument in terms of a moderate utilitarianism and an epistemological fallibilism. For these are ideas which are likely to prove uncontentious to people of good will. At the same time, it should not prove too difficult to call into question—or at least to deny to be intellectually compelling—any more substantive theories to which other people may be devoted, which may be at odds with these ideas.

### *From Dialogue Rights to Property Rights*

In the previous sections, I discussed the problem, arising in Hayek's work, of generating respect for each individual as an end in himself from more or less utilitarian premises. I suggested that this might be solved through first an epistemological and then a cognitivist twist. I generated the rights which I was seeking as "dialogue rights" accorded to individuals *qua* participants in factual and, finally, normative dialogue.

Suppose that my argument above was in order. A problem might be raised concerning the pertinence of the conclusions to which I was led. For it might seem as if my approach depended, crucially, on actual, face-to-face dialogue. It might then be suggested that, in political terms, such an argument must generate a variant of the *polis*-sized democratic ideal that has so bedevilled modern political thought. It would, indeed,

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be ironic if such a view were to be the conclusion of an argument developed in the spirit of Adam Smith and of Hayek. For it was Smith who argued—in contrast to the views of Rousseau and the civic humanists of his day—that the good society was a big society. And Hayek has described the kind of society that he favors as the "Great Society."

Perhaps a way out of the narrow confines of the *polis* is offered in Popper's account of the principles that should underlie a large-scale democratic society. This society is, explicitly, *not* of a face-to-face character. And it is implicitly arrived at by Popper's generalizing his view of an idealized community of scientists in dialogue.

Unfortunately, Popper's view of scientists as engaged in such dialogue is itself perhaps a little misleading. For even on Popper's own account, scientists will be working within specific, and competing, metaphysical research programs. Between these, dialogue is possible, fruitful, and extremely important. But for such dialogue to take place is by no means a simple matter or a matter of routine, and it is often inconclusive in its character.[41]

Moreover, scientists are able to engage in dialogue to good effect even when they are not in face-to-face contact (e.g. through letters or journals). But they can do this just because the scope of the issues that they are discussing is restricted. There are also widely accepted conventions about how such dialogue should proceed.

However, in politics, an inconclusive dialogue is not enough when collective decisions are being taken. For without consensus these decisions will override the very dialogue rights for which we have argued—unless there is explicit agreement to act on, say, a majoritarian basis, on pragmatic grounds. In addition, political issues are multi-dimensional in character (Hayek, in his arguments against central planning, put some emphasis on the fact that we seem faced with different, and apparently irreconcilable, ideas about the good life). But it is difficult to have a fruitful dialogue between more than about four people, unless its scope is severely limited (as anyone with experience in taking group tutorials in a British university would surely testify).

What all this implies, I would suggest, is that actual dialogue has its limitations as a model for politics. I do not wish to claim that it is useless. It will have a role at the level of most general principles, and thus in the legitimation of the entire system, and possibly in the determining of the level at which a welfare safety-net should operate.[42] It may also have its uses as a forum in which people may be called to give an account of what they are doing, and to respond to criticism. But here we would not expect that consensus will result, and no collective action will follow.

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Does this bring us to the limits of the relevance of the "dialogue rights" which we spent so much time developing in the previous sections?

My answer is: no. For while dialogue itself does have such limitations, the gains which we there made may be preserved in another form. For dialogue may be simulated, by means of an "invisible hand" mechanism.[43] And individuals may be accorded rights, on epistemological grounds, in order to participate in such a mechanism.

What this is leading up to—as the reader may have guessed—is an argument from epistemology to *an attenuated version* of Hayekian liberalism. For if individuals are accorded property rights; if they and their property are protected by a "nightwatchman state"; and if they are free to engage in experiments in living and to move between such experiments, all this can serve as a surrogate for that more general dialogue which is not directly attainable.

The character of such property rights, the kind of protection that they are accorded, and what sorts of activity are so protected are themselves determined by considerations from both epistemology and social theory. Social theory comes in because we are here concerned with those arrangements which will best allow us to learn, in conditions of scarcity and of uncertainty. And it is in the face of these conditions that Hayek's arguments, together with Buchanan's contention that we should not treat the state as a benevolent despot, seem to me to tell in favor of a basically liberal model, with a welfare safety net, rather than a model that would grant individuals more extensive welfare rights for the sake of their contributions to such a surrogate dialogue. In a similar way, we can argue against diverting resources to any considerable extent to bring someone who is very severely handicapped into participation in our dialogue—just because of the high opportunity cost of so doing.

However, it is clear that there may be disagreement about such issues. As a result, we may have to agree to differ. Those citizens who believe that the level of support that should be accorded to the severely disadvantaged in order that they can play a participatory role in our surrogate dialogue greater than is allowed for by the consensual judgment of other citizens should be free to use their own resources for this purpose.

Many difficult problems—but, I think, interesting ones—arise if this proposal is explored in some detail: too many, indeed, for me to elaborate here.

However, in broad terms, this approach allows us to combine our epistemologically derived ideas about dialogue rights as developed above, with Hayek's ideas about a market order as a forum within which learning can take place. This means that we can part company with the less

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rationalistic aspects of Hayek's work, and argue for the bare bones of classical liberalism by means of an appeal to the theory of knowledge and themes from Hayek's social theory.

This approach provides a rationale for the protection of individual judgments—and, in consequence, of individuals themselves—along the lines set out above. To this, it adds an argument for the protection of property and of experiments in living as these would be a way in which judgments are externalized (there is a certain parallel here with Hegel's view of property). The nightwatchman state must itself be neutral between substantive ideas that are being tried out. But it would maintain rules of the game so as to prevent coercion or the entrapment of individuals within experimental communities, and to deal with overspill effects or externalities. There is, however, a difference from Hegel, and with views that see pluralism as an end in itself, since here the prime rationale for such arrangements is not the expression of values, but their objectification in order that we can learn about them.

A model for such ideas is, in fact, to hand in the (unduly neglected) "utopia" section of Nozick's *Anarchy, State and Utopia*. Nozick noted a discontinuity between this section of his book and its earlier parts, in that the former did not depend upon his earlier assumptions about rights. In addition, in note 7 to chapter 10, Nozick pointed out that there were parallels between the ideas of that section and Popper's philosophy of science. He later noted a parallel between the utopia section of his first book and the pluralistic (yet truth-directed) approach of the introduction to his *Philosophical Explanations*. Thus, the link between the epistemologically grounded ideas of our previous sections, and this suggestion for their social instantiation, is not without its precursors.

Two points, however, should be made explicitly, because of my reference here to Nozick.

The first is that, by contrast with the earlier parts of *Anarchy, State and Utopia*, rights—as in Hayek's work—are in the utopia section accorded as a means to an end: the pursuit of the good (as in our dialogue about ethics), utility (where there is consensus about this), and truth. This, however, means that while judgments, individuals as the source of them, and property as instantiations of them are accorded protection, the basis on which this is done is instrumental, and arrangements here will be shaped by argument as to what represents the best use of our resources. Thus, as noted above, we are not committed to saying that resources must be used, come what may, to give someone a voice in our dialogue if the opportunity cost of so doing would be high.

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Secondly, because of the epistemological basis of our argument, the character of property rights may not prove quite the same as is familiar from classical liberalism. For, while substantive judgments will as far as possible be protected (so that there will be a presumption of freedom of contract between adults), property rights may be limited, as a consequence of Popper's epistemological ban on "conventionalist strategies." That is to say, there may be epistemologically generated restrictions on the right to use property for the construction of certain kinds of social formation which protect people's judgments from critical scrutiny. But this is a somewhat complex issue, which I cannot discuss here.

In our liberal meta-utopia, experimentation and learning take place via the activities of individuals. Individuals back their own judgment with their own resources in the membership of some society, organization, club, or, more radically, experimental community. Learning takes place when those individuals decide they made a mistake and pull out; or when they stay and make whatever changes are allowed for by the particular constitution of the small-scale organization which they have joined; or when they are joined by, or imitated by, others.

For all this to take place, it is necessary that there be a state—or some other institution which plays a similar role—which preserves individuals (and voluntary communities and associations) from aggression and overspill effects, and which also prevents individuals from being held prisoner by some community or association that they have joined. Such an authority must clearly be neutral between the substantive enterprises and beliefs of specific organizations or communities, but must take particular care that children—second-generation members—have the opportunity to exercise choice between alternatives. Communities themselves may be as "open" or as "closed" as their members wish. Communities may exemplify different particular claims to knowledge—say, as to the character of the good life; or different constitutional theories about how social organizations should change with circumstances. In their internal organization they may be, variously, democratic, authoritarian, traditionalistic, or socialist; and among them would presumably figure, as a large-scale social experiment, Hayek's own specific ideas for the constitutional organization of a good society. Within communities, roles and property may be distributed on whatever basis their constitutions or rules state.

Individuals, as mentioned above, would be free to leave one community, and to join or set up another—though, clearly, some community may impose conditions on new members, or conditions upon those who may wish to leave it, subject, obviously, to the broader requirements laid down by the framework authority.

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The details of all this, as may be imagined, are complicated, and would make a long paper more so. I would, however, like to mention explicitly the fact that, in this approach, not all dialogue is privatized in the form of property and experiments in living. Some dialogue of a more ordinary sort is needed in order for the underlying principles of the system to be legitimated. And I believe that one would need also to require those engaged in experiments in living to be mutually accountable in such a forum, as to the character of the experiments in which they are engaged, if this system is, indeed, to operate as a learning mechanism. In all of this, there is, thus, the *ghost* of civic humanist ideas, come back to haunt the classical liberal. However, participation is limited to the merely intellectual; the only *political* actions that are taken by the minimal state are ones that have an epistemological as opposed to a substantive political or moral rationale.

All this generates many problems: indeed, many current issues in political philosophy, from communitarian criticisms of liberalism to issues about foundationalism and politics, recur in the context of this approach. But this, and its utopian character, should also not conceal the fact that, insofar as there is anything in such ideas, I would also break a lance for them as a practical theory of the proper limits of the political. And this, I need hardly spell out, would throw doubts even upon Adam Smith as someone who was too willing to use the power of the state to coerce other rational agents into compliance with his own particular judgments.

NOTES

1. John Gray, *Hayek on Liberty* (New York: Basil Blackwell, 1984), 59–60.
2. *Ibid.*, 60.
3. F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), 6.
4. *Ibid.*
5. F.A. Hayek, *Law, Legislation and Liberty*, vol. 2, *The Mirage of Social Justice* (Chicago: University of Chicago Press, 1976), 27.
6. See, notably, John Gray's *Mill on Liberty: A Defence* (New York: Routledge & Kegan Paul, 1983).
7. Compare ch. 1 of my *The Political Thought of F. A. von Hayek*, University of London Ph.D. diss., 1987.
8. I.e., those who are likely to read the present essay, given our current values, etc.

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9. As Peter Danielsen, who in discussion brought up this example, pointed out, in California everyone has a *right* to obtain a credit card. What they do not have a right to is a more than trivial credit rating.
10. Economic historians have, I understand, suggested that Adam Smith and other classical economists were wrong in arguing that slavery was an inefficient institution—for slaves could be *driven*. I.e., work could be extracted from them of a kind that would not be supplied by free laborers.
11. See Hayek, *The Constitution of Liberty*, 6.
12. The proponent of virtue may, of course, try to reject such maximizing or aggregative arguments. But, clearly, that such aggregation is impermissible cannot just be assumed in the present context. For the point of appealing to virtue here was as the basis of an argument for liberty—for each individual's being taken as an end in himself. But this seems to me just what one is *assuming* if one gives preference to preserving an individual's freedom rather than interfering with it in order to maximize virtue, or if one insists on the freedom of one individual to pursue his or her own ends when interference would enable many other individuals better to pursue theirs.
13. In the sense of having been subject to manipulation, where this may legitimately include not only the results of purposive activity directed at this goal, but the effects of "the products of human action but not of human design."
14. See Hayek's "The Non Sequitur of the Dependence Effect," in his *Studies in Philosophy, Politics and Economics* (Chicago: University of Chicago Press, 1967).
15. See Linda Lovelace, *Ordeal* (London: W. H. Allen, 1981), and also Gloria Steinem's discussion of the case of Linda Lovelace in her *Outrageous Acts and Everyday Rebellions* (London: Cape, 1984).
16. I have discussed the issues involved here in some detail in two papers delivered to the Alexander Society at the University of Manchester: "The Sociological A Priori" and "Hayek, Linda Lovelace and the Moonies." See also my "The Religious Sect as a Cognitive System," *Annual Review of the Social Sciences of Religion* 4:149–63; and my "Epistemology Socialized?," *Et Cetera*, Winter 1985: 272–82; but see also Eileen Barker's important *The Making of a Moonie* (Oxford: Basil Blackwell, 1984) as a corrective to the view that the Unification Church is an empirical example of a group the membership of which has such effects.
17. The emphasis here on "maintenance" as opposed to causation, and on the openness or otherwise of beliefs to criticism suggests an approach to the sociology of knowledge which is not subject to the more usual objections to such theories. Cf. my "Epistemology Socialized?" for some further suggestions on this topic.
18. Martin Hollis, "J. S. Mill's Political Philosophy of Mind," *Philosophy* 44, no. 182 (October 1972): 334–47. I would like to thank Karl Popper for drawing my attention to the importance of this article.
19. In Gray's *Mill on Liberty*.

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20. It might be wondered whether a *strictly* Kantian perspective would help. For if we are going to act morally, we need to be able to identify those who should be the objects of moral consideration. This identification presumably has to take place in the phenomenal world. But there, we seem to have no way in which we can identify what is, and what is not, deserving of treatment as an end in itself. For everything that occurs is perceived by us as occurring as a result of causal processes. So how can we identify moral agents who deserve such treatment as opposed to non-moral non-agents, who do not?

    This problem is, at one level, solved by the ideas to be developed in the text, in that (as Bruce Ackermann has suggested in his *Social Justice in the Liberal State* [New Haven: Yale University Press, 1986]), we can see if any candidate can engage with us in dialogue. However, the problem here is that we may not have been listening in the right way for its reply, or it might be severely handicapped. The Kantian problem recurs as the problem of how we can identify potential partners in a dialogue. But this problem, in its turn, is much easier to solve than is Kant's problem, as it is a problem that is posed about—and can be answered in respect of—a world that is open to our inspection, and where we can develop theories about, say, the degree of internal organization needed in order to sustain the possibility of participation in a dialogue. This may make the issue of who is in principle a candidate for dialogue rights a matter that is open to rational assessment.
21. See, on this, my *Political Thought of F. A. Hayek*.
22. As Larry Briskman has suggested to me in a discussion of this material, the failure of others to find the effects in question can be interpreted as the attempt by others to test the original claim that was being made. But this is to recognize, implicitly, that such a claim has been made, and thus to recognize the person who made it. To say that a particular statement can be overruled or outweighed is not to say that its status as a claim, as opposed to its validity, is thus eliminated. (However, if someone's judgment is particularly bad, or becomes badly disturbed, they may come to lose their dialogue rights.)
23. "In my course I have known and, according to my measure, have co-operated with great men; I have never yet seen any plan which has not been mended by the observations of those who were much inferior in understanding to the person who took the lead in the business." Quoted from Burke (without an indication of the source) in Karl R. Popper, *The Open Society and Its Enemies*, vol. 1, (Princeton: Princeton University Press, 1966), vi.
24. It will be an empirical matter who is to count as a "person"—for personhood is simply a consequence of the empirical fact of having the capacity to contribute to dialogue (compare n20 above). Thus, if the claims that have been made for them should prove correct (cf. Eugene Linden's *Apes, Men and Language* [New York: E. P. Dutton, 1975]), Washoe and other chimpanzees might be entitled to such rights as a consequence of their linguistic capacities. But the senile and the fetus may not, as they, clearly, may not possess such capacities. However, this does not necessarily mean that they have no rights

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capacities. However, this does not necessarily mean that they have no rights at all; for as we shall see—when our argument is extended from factual to ethical subject-matter below—those who do not have rights as the *subjects* of dialogue on ethical matters may be accorded rights as its *object*, i.e., from the dialogue that takes place among those who do have such rights.

25. See, for a first stab at this argument, my "Abstract Institutions in an Open Society," in *Wittgenstein, The Vienna Circle and Critical Rationalism* (Vienna: HPT, 1979). This may be seen as a development of Hayek's idea that property rights should be reshaped with an eye to the contribution that they can make to utility.
26. Cf. Thomas McCarthy's introduction to Habermas's *Legitimation Crisis* (London: Heinemann Educational, 1976), McCarthy's own *The Critical Theory of Jürgen Habermas,* (Cambridge, Mass.: MIT Press, 1978) and my "Habermas: A Critical Approach," *Critical Review* 2, no. 1 (Winter 1988): 39–50.
27. I would like to thank Larry Briskman for urging that this point should be made explicit.
28. I.e., they would not have the right to join social institutions which, in their intended or unintended consequences, acted to insulate them from criticism—where these would be the social equivalents of Popper's "Conventionalist Stratagems." Cf. his *Logic of Scientific Discovery* (London: Hutchinson, 1959), sec. 20. Compare with this the misgivings that Hayek expresses about the consequences for people's attitudes from their participation in large-scale social formations which insulate them from the market. See *The Constitution of Liberty*, ch. 8.
29. Our argument, as presented here, would seem vulnerable to a related objection: that it would seem to be conducted as if all people were male, single and in the prime of their lives. However, there seems to me to be no reason why our epistemologically based approach may not be developed further, and involve itself with the most effective use of the knowledge and judgment of all citizens. In this connection, there would seem to be a considerable degree of common cause with many of the concerns—if not the suggested solutions to them—of contemporary feminists.
30. Not only is there a strong cognitive element in many matters of aesthetics and taste (including the appreciation of various traditions of food and drink), but we can, by methodological decision, choose to hold many of our preferences in a form that makes them open to inter-subjective appraisal.
31. Plant advanced this argument in the course of a paper on Hayek delivered to the Carl Menger Society in London in 1984. I do not know if this paper—or his argument—has yet appeared in print.
32. There is possibly room for doubt about this, in view of Hayek's suggestion (*Law, Legislation and Liberty*, vol. 2, 144–5) that "It [became] part of the ethos of the Open Society that it was better to invest one's fortune in instruments making it possible to produce more at smaller costs than to distribute it among the poor. . . ." For this may mean that Hayek's admitting of a

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safety-net is a concession to our inability to bite the bullet of what a really systematic utilitarianism would involve.

33. I have explored this further in a paper, "Popper and Liberalism," given at the First Annual Conference on the Philosophy of Karl Popper in Manchester in 1984; a brief article based on one section of that talk has since been published as "Epistemological Limits of the State: Reflections on Popper's Open Society," *Political Studies* 38 (1990): 116–25.
34. For an interesting exploration of parallels between epistemological and ethical argument, see David McNaughton, *Moral Vision* (Oxford: Basil Blackwell, 1987).
35. Compare, say, the way in which emotivists such as Ayer and Stevenson strive to show that their theories still allow for ethics to have many of the features that one might have associated with a cognitivist understanding of ethics.
36. See Robert Nozick, *Philosophical Explanations* (Cambridge, Mass.: Belknap Press of Harvard University Press, 1981), 434: "When in the *Republic* Thrasymachus says that justice is the interests of the stronger, and Socrates starts to question him about this, Thrasymachus should hit Socrates over the head. He concedes too much when he enters an activity, discussion, that assumes that there is some mark of correctness and rightness other than (and superior to) strength."
37. Compare, on this, Richard Dawkins, *The Selfish Gene* (London: Paladin, 1978). See also my "Natural Law Without Metaphysics: The Case of John Finnis," *Cleveland Law Review*, forthcoming.
38. Cf., also, John Gray, *Liberalism* (Minneapolis: University of Minnesota Press, 1986).
39. I do not mean that such ideas are without value; only that I do not see what is gained by appealing to them if they are rejected by those with whom one is in dialogue.
40. It might be thought that this is a strange approach to be taken by someone who is working in the tradition of Karl Popper, for whom—one might think—the correct, non-justificatory approach would be simply to advance some claim and see if anyone has a cogent objection to it. This is indeed the case where one's concern is simply with truth; but where—as in the case of rights—one's concern is for mutual recognition and collaboration, I think that one has, first, to proceed as in the text. The same may also hold in respect of practical action.
41. Cf., in this connection, Karl Popper's "Toleration and Intellectual Responsibility," in S. Mendus, ed., *On Toleration* (Oxford: Clarendon Press, 1987), in which, when discussing the exchange between Bohr and Einstein, he stresses that while they both learned much from each other, they did not end up in agreement. In this paper, Popper is critical of the idea that fruitful discussion must be expected to lead to agreement.
42. Indeed, my own suggestions depend on the idea that, whether directly or through representatives, dialogue can take place, to consensus, concerning

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our minimal ideas in epistemology, and the allocation of rights on that basis, and the establishment of a "bottom line" in respect of which a welfare safety-net will operate. This may not be as daunting a task as it might seem, given that the epistemological argument is conducted largely on the basis of showing that no one can demonstrate the correctness of substantive ideas to which they may be attracted, and on the basis of some fairly trite ideas about the possibility of learning.

43. On which, see ch. 1 of Nozick's *Anarchy, State and Utopia* (New York: Basic Books, 1974).

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*Frank Michelman*

# FROM DIALOGUE RIGHTS TO PROPERTY RIGHTS: REPLY TO SHEARMUR

*Jeremy Shearmur's* consequentialist *argument for* universality *in the distribution of individual "negative" liberties claims that what is gained as a consequence of extending such liberties to the last hitherto excluded group is likely to outweigh what is lost by doing so. In trying to make such a claim convincing, does it help to notice that whoever is denied negative liberties is thereby impeded from contributing to social dialogue about the arts and ethics of human well-being? Perhaps, but only on two conditions:* First, *we understand individual identities as intersubjectively constituted.* Second, *we pursue universality in the distribution of social requisites of dialogic competence beyond negative liberties.*

## I.

In libertarianism (or classical liberalism), the ideal regime is universal negative liberty secured to all, without distinction of class or status, by the impersonal rule of abstract laws. The laws bestow upon all individuals a formally identical set of abstractly defined rights. The rights are "negative" in the sense that the correlative duties are duties of forbearance, not duties of service; the rights describe forms of intrusion and coercion to which individuals may not legitimately be subjected by anyone else, except by the state preventing or requiting one individual's violation of another's negative rights. Central among the negative rights is a strongly anti-redistributive right of property.

Jeremy Shearmur's "From Dialogue Rights to Property Rights" searches for lines of argument to support libertarianism on consequential-

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ist grounds. Shearmur's search begins, but interestingly does not end, with Hayek's suggestion[1] that only a consequentialist argument has much hope of bringing over to the libertarian persuasion whoever isn't already among the converted—whoever doesn't already cherish negative liberty as self-evidently, in itself, a paramount human interest or human right. Hayek, accordingly, sought arguments directed to the consequences for everyone's well-being of a libertarian regime in comparison with alternatives. In like spirit, with special focus on the libertarian demand for *universality* in definitions of rights, Shearmur begins by looking for reasons to believe that negative liberty *for all* has better summative consequences for human well-being than any partialist alternative. The quest, at least initially, is to win the argument for libertarianism without appealing directly to any highly contentious (or "question-begging") "ideal or moral element," such as the sovereign value of liberty as such.

Shearmur's reason for initially posing the justificatory—or perhaps we should say the rhetorical—problem in this way echoes Hayek's. The reason is, again, instrumental. It's not that Shearmur himself finds no merit in the claim of negative liberty's intrinsic value. He rejects neither the view that the intrinsic value of negative liberty is an ethical fact-of-the-matter, nor the view that such a value can be cognitively established by force of the stronger arguments regardless of its ontological status. He merely holds that, for anyone concerned with vindicating libertarian rights *in practice*, the argumentative aim cannot only be to satisfy *oneself* that such rights correspond to the ethical facts or the force of the stronger arguments. The aim then must be to secure for such rights the widespread "mutual recognition" on which all rights in practice depend.[2] Such an aim cannot be accomplished by claiming for liberty an intrinsic value, if—as Shearmur fears—that claim will be intransigently denied by too many interlocutors adopting a non-cognitivist meta-ethical stance (saving, however, utilitarianism).

So Shearmur initially looks for arguments instrumentally tying negative liberty to the furtherance of "hard-nosed" summative-utilitarian interests in experiential well-being. Shearmur expects that, unlike an asserted ethical interest in liberty itself, at least these welfarist interests will be "uncontentious" among interlocutors "of good will."[3] But while Shearmur's argument thus begins in utilitarianism, it does not end there. Eventually, the chase leads Shearmur to assert (in his "cognitivist twist") the possibility of dialogically induced, consensual cognition, among persons of good will, of trans-utilitarian ethical interests. But although the argument thus shifts ground from an intra-utilitarian "epistemological" to a trans-utilitarian ethical-cognitivist level, its form

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remains decidedly *consequentialist* throughout: It never ceases to claim that liberty is the best choice *by reason of* liberty's (claimed) *consequence* of eliciting socially valuable contributions to ethically relevant knowledge. Shearmur evidently hopes to wean *ci-devant* utilitarians away from a particular form of consequentialist political morality that countenances (welfare-maximizing) selective denials of liberty. His strategy is to do so by using a line of argument that exposes that particular feature of utilitarianism to question, but never strays beyond a more encompassing consequentialism. (This impression of a "weaning" strategy is heightened by Shearmur's choice of a specific illustration for the possibility of dialogically induced, trans-utilitarian, cognitive ethical consensus: that is, the putative consensus that we ought not to inflict suffering upon a certain few victims, even if we thereby produce a larger sum of increments of well-being for a great many beneficiaries. That specific suggestion is not strictly utilitarian. It is, however, still strongly welfarist. Its welfarism—like the consequentialism coursing throughout Shearmur's argument—may make it feel more readily entertainable by Shearmur's erstwhile utilitarian interlocutors than would an out-and-out claim on behalf of liberty's intrinsic rightness.)

All told, Shearmur's argumentative strategy apparently proceeds from two suppositions whose relation is intriguing. First is the supposition that there will be excessive numbers of (typically utilitarian) interlocutors for whom (trans-utilitarian) ethical disagreements are strictly non-cognitive, and from whom, therefore, no concession of negative liberty's *intrinsic* value is likely to be obtainable by force of argument. Second is the supposition that we can still reasonably hope to draw utilitarians into some other kind of serious dialogic engagement over the correctness of utilitarianism. For on that second supposition hinges the claim evidently intended by Shearmur's "cognitivist twist"—the claim, addressed to *ci devant* utilitarians, of liberty's *consequential* value of improving everyone's chances, including theirs, of attaining to (trans-utilitarian) ethical cognitions. Now, these two suppositions are certainly not mutually contradictory, but neither are they self-evidently harmonious. It would be interesting to know more about how Shearmur understands the relation between them.

## II.

Given the terms of the problem as Shearmur initially sets it—finding a consequentialist defense for universality in a regime of abstract, negative rights—we can already see that any responsive argument will have to be,

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roughly speaking, rule-utilitarian in form.[4] Shearmur finds inadequate Hayek's own rule-utilitarian arguments for universal distribution of libertarian rights. He finds that those arguments don't strongly enough overrule various forms of status-based exploitation and manipulation of individuals identifiable as members of socially subordinated groups. So he first proposes to bolster Hayek's arguments by focusing attention on the unique contribution that each individual can potentially make to a fund, from which all can draw benefits, of social dialogue about human well-being and how to achieve it. The suggestion is that according "dialogue rights" to everyone is the best strategy for reaping the benefits of these individually sited and (*ex ante*) randomly distributed capacities for advancing one another's knowledge of the arts of well-being.

Now the point of this proposal can't be, and it isn't, that a dialogue right is some new or special kind of right that is distinct in content from the negative liberties that classical liberalism has always defended. To the contrary, Shearmur's argument will serve its aim—shoring up the Hayekian defenses of classical liberalism—only insofar as "dialogue rights" turn out to be extensionally equivalent to standard, classical liberal rights. Shearmur's hope is that, by *regarding* these same rights *as* dialogue rights, he can produce a palpably firmer consequentialist argument than Hayek offers for their universal distribution. He hopes to extract from the notion of dialogically created knowledge of the arts—and, eventually, the ethics—of human well-being an unprecedentedly compelling consequentialist argument for the universal distribution of libertarian rights.

Given that dialogue rights are, for Shearmur, a species—or an interpretation—of negative rights against coercion, we can see right away that any consequentialist argument in defense of their universal distribution can always be confronted with objections resembling Shearmur's own objection against Hayek's consequentialist arguments in defense of negative liberty for all. In Shearmur's hands no less than in Hayek's, the formula for pro-libertarian, consequentialist argument is (i) begin with the supposition that negative liberty is now denied to some class or group of persons; (ii) consider certain consequences of extending negative liberty to some or all members of the hitherto excluded class or group; and (iii) observe that the consequences for the well-being or ethical knowledge of some (or all) persons are presumptively beneficial. Arguments of that form are very likely to be convincing—until someone mentions, as Shearmur mentions against Hayek, the possibility that the expected benefits from liberating a small minority ("liberation benefits," let us call them) are swamped by the benefits to their dominators of continued

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domination ("domination benefits"). A successful consequentialist argument for *universal* liberation must offer persuasive grounds for thinking that marginal liberation benefits exceed marginal domination benefits at every point along the trade-off curve, right up to the point of total liberation and zero domination.

Shearmur calls attention to a particular kind of liberation benefit, namely, newly enabled contributions to social dialogue. His position is that these *dialogic* liberation benefits may have a peculiar force that exceptionally enables them to satisfy our strong requirements for successful consequentialist arguments for universal negative liberty.

What, then, might be this peculiar, universalizing force in the notion of dialogic liberation benefits? It cannot be simply each person's unique ability to provide facts regarding his or her own wants and capacities as consumer and producer. Hayek's own arguments already make full use of that factor, but they still fail, in Shearmur's estimation, to block certain arguably utilitarian, but patently illiberal, regimes of exploitation and manipulative conditioning. So the special dialogic case for universality of rights must rest not on what each can tell others about his or her own good, but on what else each can tell others about matters more generally pertaining to utilitarian or other ethical objectives.

Thus Shearmur is drawn to suggesting that because all it takes is a single exposure to a contrary cognition to release us from preexisting false belief respecting the arts and methods of well-being and its maximization, and because we cannot know beforehand who among all the individuals in society might be the bearer and potential utterer of a cognitive judgment that might be thus enlightening for us, utilitarian ethical interests might provide strong, *prima facie* grounds for according dialogue rights to everyone, without discrimination. But as Shearmur also shows (through the talking-chicken parable), that argument would finally depend on our having reason to believe that the probabilities of exceptional knowledge on the part of the dominated, hence of exceptionally valuable dialogic contribution to be expected from them, are high rather than low.

Although Shearmur does not press the point, one might notice that there is at least one kind of special knowledge we might expect to find concentrated among people who are subjugated by selective denial of negative liberty: knowledge of the experience of subjugation itself. But that expectation wouldn't itself provide a *utilitarian* reason for universal desubjugation, because it doesn't tell us of any use that *dominators* have for knowledge of the experience of subjugation. In a scene of domination total and permanent, the dominators would have the same use for knowl-

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edge of the experience of subjugation as Adam and Eve had use for knowledge of the option of evil. At best, such knowledge offers them moral freedom at the cost of untroubled bliss. Freedom in exchange for bliss is the right trade for Kantians, but for utilitarian consequentialists, moral freedom is neither here nor there. (Moreover, direct appeal to the absolute or preeminent value of moral freedom is what Shearmur at the outset seems to want to avoid if possible.)

It is in response to this sort of difficulty that Shearmur introduces his "cognitivist twist." Here is where Shearmur reconceives the roster of the noncontentious values that negative liberty might instrumentally promote, so that the roster directly refers not to welfarist interests in experiential well-being, but to cognitive interests in ethical knowledge (including knowledge of errors in utilitarianism). By placing such an ethical-cognitive interest among the noncontentious values, Shearmur evidently hopes to ground a claim for the presumptively large (expected) positive marginal value of even the ultimate extension of negative-libertarian dialogic rights to the last remaining, small, excluded class. But it seems to me that the argument still needs something more, just as its predecessor did at the intra-utilitarian, "epistemological" level. The argument still requires some reason for believing that the last remnant of citizens excluded from negative liberties ("dialogue rights") is especially likely to know something important, or to say it trenchantly, that the rest either don't know or won't as effectively communicate.

This requirement seems to me to flow from Shearmur's commitment to a consequentialist form of argument. There will always be any number of arguable bad consequences (for someone or other) of wide-opening the dialogic arena by extending negative liberties to the last, excluded group or groups. There still remain those arguable, resultant decrements to the welfare of dominators that have hounded Hayek's and Shearmur's arguments to this point. A professedly consequentialist argument designed to wean *ci-devant* utilitarians over to libertarianism cannot high-handedly set those aside. (For what if such decrements look large, utilitarianism has [in these interlocutors' views] held secure against every counterargument so far, and the chances of any new one's turning up as a result of the liberation in question seem exceedingly slim?) And there are, in addition, arguable harms to cognitive processes themselves, in various forms of communicative overload whose avoidance might require some bounds on the multitude and diversity of manners and perspectives that cognitive dialogue can accommodate. In order to beat back these looming arguments from the "cost" side of the consequentialist ledger,

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doesn't Shearmur need a reason for expecting specially valuable dialogic contributions from the last to be admitted to "dialogue rights"?

Although Shearmur does not pursue this question, it may be worth pursuing. One might start with the likelihood that those who are subjugated have a unique basis for producing and potently conveying ethical-cognitive judgments informed by direct knowledge of the experiential badness of being subjugated. On that ground, one might well believe that the voice of the oppressed is always, presumptively, a voice that everyone's cognitive interest in ethical knowledge will be especially well-served by hearing. And surely selective deprivation of negative liberty is an important form of oppression. Just as plainly, however, no one could ever have, as a reason or motive for delivering others from the oppression consisting of such selective deprivation, a cognitive interest in learning from the deprived about their experience of deprivation and why it ought to be terminated. All actual deliverers must have figured that out for themselves, while the deprived were still being deprived of their "dialogue" rights. Moreover, once admitted to full enjoyment of their rights, the ex-deprived are now stripped of precisely that special claim to authenticity that supposedly springs from the currency of the experience itself.

Perhaps it might be offered in response that even under fully realized libertarianism there can still be ethically cognizable, socially imposed suffering, and hence politically cognizable oppression. And perhaps the group most recently released from deprivation of negative liberties (= dialogue rights) can be expected to contain a disproportionate share, among all who now hold dialogue rights, of individuals who are relevantly oppressed although no longer thus specifically deprived. If so, then (the argument might run) extending the mantle of negative liberties (dialogue rights) is always a way to enrich everyone's chances of improved cognitions concerning such post-libertarian oppression and what ought to be done about it. But I don't think this line of argument could work for Shearmur.

What is it to be "oppressed" by social, including constitutional, arrangements and practices, although in full possession of one's negative liberties? Many who admit such a possibility might have in mind the state of severe material deprivation that befalls some persons, without violation of any rights they have under a set of libertarian laws. But insofar as that is what we mean by "oppression," then we don't need to hear directly from those who are having the experience in order to know that they are having it, that it is bad, and that preventing or alleviating it would be good. All we need is to look around us sympathetically, imagining

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ourselves in the conditions in which we can (if we will) observe the less fortunate. No powerful case for universal dialogue rights is here to be found, although perhaps a case for "bleeding-heart liberalism" is.

Consider, then, the possibility that there are other, let us say non-material, forms of politically cognizable oppression—experiences, say, of social subordination that unfortunately can spring up or persist even where libertarian rights are universally in force. Perhaps it's true of *this* kind of oppression that those whose conduct causes it are all too likely to remain careless of it, or perhaps oblivious, unless and until those who directly experience the oppression somehow get through, dialogically, to the former. So perhaps we can argue that those people in a society to whom the dominant forces are most prone to deny dialogue rights (*qua* negative liberties) are also probably the people most likely to be experiencing "subtle" forms of oppression that only they, through dialogue, have much chance of bringing home to the rest. That would seem to supply what Shearmur is looking for: a consequentialist reason, referring to our ethical-cognitive interests, for *universal* distribution of negative liberties construed as dialogue rights.

But this, I think, cannot be Shearmur's argument. For the "subtle," "non-material" forms of oppression we now have under consideration seem unlikely to be detachable from persistently contentious notions of justice and injustice. To take only the most obvious contemporary cases: To very large numbers of those whose experiences have primarily motivated the civil rights movement and the women's movement (and besides them many others with whom they have had effective dialogic engagement) a negative-libertarian regime of equal formal justice under abstract law is not just; it is oppressive. To them (us), justice now appears to be unachievable, and oppression ineradicable, without resort to certain devices of, say, welfare statism, social democracy, or democratic socialism over which libertarians stand ready, says Shearmur, to break lances. "We" do, indeed, all have an interest in ensuring our exposure, at all times, to potent critiques of libertarian justice by those who experience it as oppressive; and it is much to the credit of Shearmur's argument that it says so. That interest may not, however, be one that Shearmur can categorize as an interest in dialogically induced ethical cognitions that will be noncontentious among persons of good will. It may, rather, be an interest rising across the frontier where political debate is not a matter of noncontentious ethical cognitions reciprocally roused and validated among interlocutors of "good will," but rather is a matter of critical interaction in which our ideals themselves go up for grabs, because it isn't just cogni-

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tions that are being communicatively exchanged but standpoints and perspectives as well.

III.

Perhaps we would do better to speak of an "intersubjective" than of a "cognitivist twist."

Maybe, ultimately, the point of Shearmur's story of the talking chicken could be that an animal who talks—who dialogizes—is a person, however prone some others may be to mistake him or her for a chicken. Imagining a dialogical chicken would, then, be a device for directing attention to a special attribute of persons that makes imprudent the attempted silencing of some persons by others who dominate over them. However it may be between humans and chickens, perhaps there can be no airtight, perfectly unreciprocated state of domination of some "classes" of humans by others. That is how it will seem to all who believe that human individual identity, hence human individual agency, is inseverable from sociality and communicative reciprocity.[5] On that understanding, domination within human society is irreducibly a communicatively, hence reciprocally, constituted relation among agents. Those with whom I am in such relations are *ipso facto* in my world, making my world, making *me*, affecting for better or worse my experience, my knowledge, my well-being, my identity. Better that the effect should be for the better than that it should be for the worse. And so from my own standpoint, for my own sake, my "other's" world and identity no less than my own stand always in need of dialogic criticism. This follows from the indissoluble reciprocity of critical dialogue, conceived as a process in which others press critically upon me views whose validity for me depends upon their reciprocally undergoing and responding to my criticism of them.

Without trying here to work out the full argument, I suggest it is highly plausible that, if intersubjectivity is true, it gives every individual a very strong, instrumental interest—for the sake of his or her own well-being—in the distribution of some fairly high level of dialogic competence to all with whom he or she may ever have social relations. From there, it seems easy to generate, by aggregating the dialogically dependent interests in well-being of all the individuals in society, a general counsel of universal distribution of that same level of dialogic competence.

Shearmur's essay certainly deserves credit for prompting these reflections. Yet I am doubtful whether Shearmur intends, or could use,

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them to defend his commendation of negative-libertarian property rights, and the markets they underwrite, as "surrogate" dialogue. His possible difficulty wouldn't just be that assuring to everyone the requisite levels of dialogic competence seems to require much more in the way of positive-statism, or other incursions on negative liberty, than the "safety net" connotes or than Shearmur's own libertarianism will countenance.

A deeper problem would be that "surrogate dialogue" isn't fully dialogic. Consider, just to illustrate, those exemplary contributions to the knowledge of human well-being, which self-servers in a market are supposed to make by their private "experiments in living." As to any such venture that *you* might undertake, both its conception and its evaluation are, from *my* point of view, in the absence of *actual* dialogue, lacking an element of critical validation. In the intersubjective-dialogic view, the instrument of validation is *dialogue*, the actual thing—confrontation, passionate, even angry conversation, the felt compulsion to respond, the struggling and groping towards common ground (or sympathetic exchange of positions), towards reciprocating validation and grasp of each other's view by the experience of critical exchange. The distanced relations of the market are not dialogic, not in the reciprocal-critical sense in which, I have suggested, we have to understand the notion in order to allow it any special universalizing force.

If my argument has been anywhere near correct, then there lurks in Shearmur's suggestion of the universality of dialogue rights more than just a trace of civic humanism. I do not mean his argument can't stop anywhere short of dismantling the "great" society, returning us all to political parochiality and revoking millennia of dearly bought learning about human liberation. Perhaps actual social dialogue does not require everyone engaging everyone else at once. Perhaps it can occur serially, through networks. Perhaps the nets need not run only through the chambers of government; they might run everywhere that people meet communicatively, with diverse and conflicting interests and needs, experiences and knowledges, perspectives and values. These are just a few of the questions to which I believe we are led by serious contemplation of the strongest reasons we have for commitment to the nurturance of universal dialogic competence.

NOTES

1. F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), 6.

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2. See Jeremy Shearmur, "From Dialogue Rights to Property Rights: Foundations for Hayek's Legal Theory," *Critical Review* 4, nos. 1–2 (Winter–Spring 1990), n37 and text accompanying nn33, 34.
3. *Ibid.*
4. In pursuit of a like aim, Hayek has sometimes used a naturalistic form of argument, to the effect that the historical emergence and success of a regime of libertarian legalism (encased, as he claims, in the Common Law) testifies to the utility of that kind of regime. F. A. Hayek, *The Fatal Conceit* (Chicago: University of Chicago Press, 1988), ch. 1; F. A. Hayek, *Law, Legislation, and Liberty*, vol. 3, *The Political Order of a Free People* (Chicago: University of Chicago Press, 1979), "Epilogue: The Three Sources of Human Values." But this isn't what Shearmur has in mind. Shearmur initially seeks a straightforward argument to demonstrate directly (not infer indirectly) such utility.
5. See, e.g., Drucilla Cornell, "Institutionalization of Meaning, Recollective Imagination and the Potential for Transformative Legal Interpretation," *University of Pennsylvania Law Review* 136: 1135–229, at 1179–82 (discussing Hegelian idea of dialogic reciprocity); Jürgen Habermas, *The Theory of Communicative Action*, vol. 2, *Lifeworld and System: A Critique of Functionalist Reason*, trans. Thomas McCarthy (Boston: Beacon Press, 1987), 3–42 (discussing social theory of G. H. Mead).

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*Jeremy Shearmur*

# FROM INTERSUBJECTIVITY THROUGH EPISTEMOLOGY TO PROPERTY: REJOINDER TO MICHELMAN

*Michelman's emphasis upon intersubjectivity is commendable; but a cognitive approach is required to generate rights. Michelman has raised a significant point against Shearmur's earlier paper: does it offer a rationale for according rights to every individual with whom our relationship may be remote? Michelman's suggestion that oppression might itself be a source of illumination should be declined, however, so it is tentatively suggested—with reference to Popper's "world 3"—that we may value such people as cultural objects: as bearers and creators of culture.*

It is rare to encounter a critic who is as generous and as acute as is Professor Michelman; generous, because in informal exchanges prior to this publication, he accepted my assurance that some of the points on which he was proposing, correctly, to take me to task were inessential to my case; acute because he has put his finger on some difficult problems. The present exchange emerges from a panel at the American Political Science Association in 1987, when I presented the paper that is reprinted above and Frank Michelman was its formal discussant. The paper has not been altered in substance since that occasion—although I am now aware, through Professor Michelman's objections, that I had put some things in ways which are misleading. However, we agreed that it would make things simpler if I were not to make changes to the original paper in light of his comments.

The paper takes off from a problem in Hayek—that he maintains what look like Kantian ideas in his legal theory, but offers only indirect utilitarian argument for them. My suggestion was that, while Hayek's argu-



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ment is powerful, it does not quite work. The overall strategy of my positive argument is, as I now understand from Michelman's objections, not as blindingly clear as it had seemed to me when I wrote the paper. It might, for the sake of clarity, be useful if I were to break it down into the following steps.

First, I suggest that Hayek's indirect utilitarianism faces problems, in that there will be cases in which utility would be best promoted by exploiting (or even killing) other human beings, rather than by granting them rights. Essentially the same seems to me also to be true of the analogous contractarian arguments of Jan Narveson.[1] In such a setting, there is no point in appealing to substantive moral theories or to analysis of moral language which could simply be repudiated by one's interlocutor if he is a utilitarian or a Hobbesian contractarian. Accordingly, my first move was to try to develop an argument internally to the concerns of my interlocutor, which suggested to him that he had reason to accord "dialogue rights" to others. This I attempted, by arguing that the utilitarian himself has a concern for matters of truth and falsity (insofar as they pertain to issues of human well-being)—for example, to the truth or falsity of scientific theories as well as to that of more common, garden-variety matters of fact; and that what seem to me plausible accounts of epistemology, such as those of Peirce or of Popper, suggest that claims concerning such issues are to be understood as validated by submitting them to a universal critical consensus. In such a connection our utilitarian, if he is concerned with truth, has a concern for the single counter-example, and derivatively for the autonomy of the individual *qua* potential carrier of such counter-examples.[2] In the paper, I suggest that some of the objections that I initially raise against Hayek can be met from such a perspective,[3] but that some problems still remain.

The key problem here—as illustrated by my "talking chicken"—is that when individuals are accorded such rights, there is always in the background the utilitarian goal for the sake of which those rights are being accorded. This goal may re-emerge to trump the rights. For a person's interlocutors might (correctly) be able to argue that his consumption or exploitation would contribute better to the goal of utility than would anything that he might reasonably be expected to say.

To try to get round this problem, I then introduced a further move—the "cognitivist twist." This was badly explained in the paper. My suggestion is that the chicken would reasonably raise with his utilitarian interlocutor the question of the validity of utilitarianism. This question gets the discussion out of the non-cognitivism within which it has hitherto been conducted. My idea was that it is not implausible to suggest

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that the utilitarian could be prompted into such concerns, or into related concerns about the meta-ethical status of his utilitarianism (or contractarianism), and that the epistemology of such claims would have an intersubjective character similar to that which we met in Peirce's or Popper's suggestions about the epistemology of factual claims. Should our utilitarian accept such a move, we would have provided him with a rationale for according a further level of "dialogue rights" to other individuals, where *these* rights could not be trumped by an appeal to considerations of utility precisely because it is the validity of utilitarianism that is the subject of the dialogue. Accordingly, we would have reached something closer to our target of a consequentialist argument as to why individuals should take others to be something like ends in themselves. (However, lurking in the background—and needed if the classical liberal is to fend off inordinate claims to resources for the sake of enabling someone to participate in dialogue—is something like what Nozick calls a "utilitarianism of rights": there is an overall purpose for which these rights are being accorded to people, as a means to an end.)

In the paper, I then suggested—albeit briefly—that we could not realistically consider politics as resting on an actual face-to-face dialogue between citizens. Instead, I suggested that we might consider our dialogue as being simulated through the according to individuals of (largely unrestricted) property rights, by means of which they could objectify their judgments, and engage in experiments in living. (I also noted that Robert Nozick had himself drawn parallels between the "utopia" section of his *Anarchy, State, and Utopia* and Popper's epistemology.) Such activities, however, were to be supplemented by the accountability of people to one another through actual, face-to-face dialogue in a public forum.

Two points should here be made explicitly about the "cognitivist twist." First, this move raised the question of the validity of utilitarianism rather than offering argument for (or non-justificationist strategies for meeting criticisms of) classical liberalism. It did so because I assumed that we might elicit in our utilitarian an interest in the former, while the latter would probably be treated by him internally to his utilitarianism, and thus non-cognitively. Second, my argument for rights is based on the suggestion that the epistemology of moral argument is intersubjective in its character, rather than on a specific account of the substance of such argument. In the paper, I offered a brief sketch of such a more specific account; one which I would if need be defend. However, my brief presentation of it in the paper may give the (misleading) impression that my argument at this level is itself to be understood as non-cognitivist. Rather than getting too caught up in these more specific ideas, the reader

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should bear in mind that what is doing the work is the idea that claims such as that of the validity of utilitarianism should be appraised intersubjectively.

## *An Objection from Michelman*

Given that this was my general line of argument, one of Michelman's objections becomes pressing. For he asks, in effect: Will not the arguments that we have already met about gains from exploitation outweighing liberation benefits apply to cognitive contributions, too? The objection might be developed in two ways.

First, is it *actually* the case that we have an interest in *everyone* having rights because of our concern with the validity of our ethical views? Someone might well ask whether what we shall gain when one more Peruvian peasant is freed from domination adds anything to what was gained from liberating the previous one. If, as plausibly seems to be the case, the answer is no, and if we gained something from the domination of the poor guy in question, it would seem as if my argument does not deliver the goods.

To spell this out further, if something is true or valid, the assertion of its truth or validity must be redeemable intersubjectively: the claim that it is true or valid is made for everybody, and it must in principle be subject to scrutiny by them. But there seems no reason to suppose that everyone's actual appraisal is required to validate our claim; rather, the role that others play is of possibly offering us substantive criticism of our views. Now if that is the case, it is difficult to see that we have a genuine interest in everyone's being accorded dialogue rights. Rather, one might imagine that what we would actually need would be input from experts—from those who know about the matters in question in general terms—and from those who know us and the details of our situation well. It is also important that we be open to arguments from other people whose concerns with us may be much more indirect: who might have a distinctive perspective upon the matters in question that we had not thought of, or who know some of the unintended consequences of our actions of which we were not aware. On this score, it is desirable that Peruvian peasants as such are not silenced. But there seems no reason for us to worry further, once we have heard from one or two representative peasants. Accordingly, is there still an argument left as to why *nobody* should be exploited?

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But that is not the end of the matter. Suppose that, somehow, I were able to make a case that *every* single person did have some substantive contribution to make. One may then ask: but how important is that contribution? Suppose that I might learn that my views are in some way morally defective, and that this is something that I care about. But this is—the objection would run—not all-important. Even if we give it its proper weight, are there not returns to scale to peoples' contributions? Also, the correctness of our ethical views and the moral propriety of our proposed actions are clearly not our *only* concern.[4] We have, after all, to eat and to live—among other things. Judged in relation to these other concerns, the dialogue rights of our second Peruvian peasant may again be outweighed. Thus, while cognitively generated rights are not here being trumped by the end for which they were brought into being, surely they could be outweighed by our *other* concerns.

## *A Life-Preserver Spurned*

Now a reader might well respond to all this by thinking that, if Michelman has raised problems along these lines, he has also suggested a way out of them: the idea that oppression itself might in some way qualify people to make a particularly important contribution to our discussions. This articulates nicely an idea that is pervasive in our culture. We are almost deafened by the "voices of the oppressed" and it seems widely to be believed that these voices carry something of intrinsic importance to the rest of us.

Now it is true that, as a result of oppression or domination, important contributions may not be voiced. Slave-owners and those who participated in a slavery-based culture did, I think, have something important to learn from those who were oppressed: that their accounts of the situation of the oppressed as tolerable—accounts which they had to be able to offer themselves if they were going to find their situation one with which they could live, morally—were in fact horribly false. But the culture itself ensured that they need never hear the truth. Similarly, it seems to me, men have a lot to hear from women; as do parents from children, and more generally those who exercise domination from those who are dependent. (In addition, to a European one striking feature of the United States is its segregation by wealth, as a result of which the affluent may never hear of the less salubrious aspects of their own society, as they will never come across them in their day-to-day lives.)[5]

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However, as Michelman suggests, even when good points are to be made from the perspective of the oppressed, these people may themselves be unable to make these points well—as a consequence of their very oppression. The points that are to be made may be voiced much better by others. The idea that there is something wonderful to be expected from the oppressed just because they are oppressed is like the cult of the proletariat among those on the left in a previous generation. Onto people who had been victimized and damaged there was projected an image of the noble savage, such that much that was trite, opinionated and dogmatic was treated as if it were intrinsically valuable merely because of romantic myths about who was saying it.

But if I do not embrace Michelman's suggestion—and Michelman himself seems doubtful as to whether I could get much out of it—is this not the end of the story? I do not think so. What is more, it matters not just to me that this should be the case. For Michelman himself seems to me to be in just the same situation as am I. His own suggestions about intersubjectivity are ones with which I broadly concur; indeed, there are parallels between the approach that I was seeking to develop in the "cognitivist twist" part of my paper, and the ideas of Habermas to which Michelman refers in the development of his own views. Michelman's argument, like mine, suggests reasons for according autonomy to those with whom we will have direct social relations. But matters are not so clear for either of us with regard to those with whom our relations are distant or indirect. While in *some* sense each of us in the West will need, for our lives to be morally livable, to have *some* story that we tell ourselves about, say, those in poverty in the Third World and their relations with us, once we have received corrections to it from one Peruvian peasant, there may literally be nothing that a second such person can add.

### *Response to Michelman*

My response to the problem which Michelman has raised is in two parts.

First, I believe that I have offered a rationale for our extending "dialogue rights" to those with whom we have face-to-face relationships, a rationale of which Michelman himself is in need. Michelman refers to the theme of our selves as being socially constituted, and to the importance in this context of the intersubjective and the reciprocal. Towards such ideas I am, as I have said, sympathetic. But for them to have any bite, we must ask: Exactly what is it that others contribute that leads us to accord them rights? Now there are clearly relationships which are intersubjectively

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validated by those who participate in them but which involve domination and submission, not equality. Furthermore, there may be relationships that involve domination but which are accepted intersubjectively by all parties, because they have simply grown up with them. (And while Hegel's dialectic of master and slave—whatever it is actually about—may suggest that pregnant within the situation of the slave there are the seeds of liberation, there are, surely, situations of domination and submission that are all too stable.) In my view, intersubjectivity is in itself not enough to generate an argument for equality: we only reach this result when the contribution of others is understood as cognitive. For epistemologically based argument may be used to criticize arrangements with which all parties are currently happy, which are sustained by them on an intersubjective basis, but which involve domination.[6]

My suggestion is that we may be understood as constantly making claims—factual claims as well as claims about the moral and aesthetic appropriateness of our actions—which, epistemologically, require interpersonal validation, and that other people require autonomy in order to be able to play their appropriate critical role. This is *not* to say that we are making claims which must, by pure reason, be accorded validity at the level of a universal maxim after the fashion of Kant's moral theory. Rather, we are making claims that we take it that everyone will accept to be appropriate for *us* to make, here and now. These claims relate both directly to our own actions, and also to the world in which we act, and its factual, moral and aesthetic characteristics. It is the possession of the capacity to appraise the claims that we each make that, in my view, provides a basis upon which we should accord one another rights. This is what my "talking chicken" deserved, as would—if the early claims made on his behalf to communicate through American Sign Language held good—Washoe. Other creatures, including my cat, merit *some* rights in respect of their ability to express their preferences to others, through which means other people can corroborate or correct their judgments. The fetus, the newborn infant, and the senile may merit less respect—though we may nonetheless treat them with more respect than they merit (at least on *this* basis—I do not think this is the only ground on which one might discuss the attribution of rights), out of courtesy towards what they may become, or what they have been.

All this would suggest that our relationships with others should be based upon a recognition of the cognitive importance of their autonomy. And that, in turn, seems to me best secured through their enjoying bourgeois rights to acquire property, being free to undertake contractual relations, and so on. (It would also provide a rationale for the idea that the

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rights in question should be understood as inalienable.) At the same time—and this is a distinctive feature of my paper—insofar as the rationale for according property rights to others is related to considerations of epistemology, one feature is called for which differs from those ideas which are commonly held by classical liberals. It is that rights to property should be complemented by the requirement to face criticism offered by others in a public forum. (Such a point is reminiscent of J. S. Mill's *On Liberty*, and indeed it seems to me that it is perhaps toward something closer to his ideas, including his concern about the "tyranny of the majority," rather than to classical liberalism with completely unrestricted property rights, that this approach, if developed, might lead.)

Such a forum is distinctive, as far as classical liberalism is concerned, in that it is public. It is an area within which property rights are themselves established through argument, and through contact with which all are socialized into the acceptance of people's rights. In this respect, the public—and public space—have a priority over the private. At the same time, however, it is to be seen as a forum, not as a throne room: there is no sense in which such an idea gives legitimation to government, except insofar as government is concerned with the preconditions of debate, and with the enforcement of private property rights. In this respect—but in this respect alone—I think that Arendt was onto something. But it seems to me a terrible mistake if such a forum is confused with politics in the sense in which we are familiar with it from pluralist democracies today: with that ignoble device through which the clever and manipulative pillage the humble and unsophisticated, all the while assuring them that these are things that they have chosen to do to themselves.

At this point, however, the reader might well become impatient—and a little annoyed. For he might feel that rather than answering Michelman and dealing with the problem to which I was led by his criticism (that of the second Peruvian peasant), I have instead stressed the degree to which he and I are in agreement; that I have tried to claim that the best way in which to understand that in respect of which we agree is in terms of my ideas, and that I have then merely engaged in a rhetorical restatement of my own views.

I am not sure to what extent such a criticism is just. But it does focus our attention upon one key problem: what of the rights of those with whom we do *not* have face-to-face relationships? As I have suggested, I do not think that we will have that much to gain from each such individual by way of the direct criticism of our views. I also rejected Michelman's suggestion that perhaps I should be arguing that there is something special about the views of the oppressed *qua* oppressed. But his argument

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does suggest something that may provide me with what I need. For in a work like *The Autobiography of Malcolm X*, one of the most poignant moments is when Arthur Haley (who ghosted the book) gave us a glimpse of Malcolm X's realization of what he and his friends might have become if they had grown up in a culture which did not deprive them of important rights. Indeed, what we may hope for if our second Peruvian—and his fellows—are accorded full negative rights, including security in the right to the ownership of property, is that they will flourish. Not only will they then be able to voice pertinent criticism of us—if such they have—for themselves rather than through ghost writers, but they may develop a culture in which both they and we may find value.

By owning property and externalizing their judgments through it, whether individually or through some form of voluntaristic association, they may produce something of positive value for us. What they produce may consist simply of forms of life or of conventions which are different from our own but through a knowledge of which we may enrich ourselves by the discovery that the world is a more different and more interesting place than we had supposed. In critical interaction with others, individuals may also become valuable as exemplars of cultures which, while their own creation, are more interesting than they—to say nothing of we—could have imagined.[7]

In this way, not only may other people offer us, as Adam Smith suggested,[8] a mirror in which we may discern our actions to have characteristics which we did not know them to have. But they may show us something more valuable still: cultures (and not just high cultures) which can possess a richness and interest in which we may delight and from which we may learn. We may, in consequence, value individuals as both creators and creations of these cultures: as cultural objects.

All this, it seems to me, gives other people a significance beyond that which they possess as mere bearers of tastes, or loci of happiness or unhappiness, and suggests a reason why we should accord them property rights, even when they may not be in personal contact with us. However, it could be argued that even if this additional attempt to draw classical liberal political lessons from Popper's philosophy (in this case, his theory of "world 3") were to work, and were indeed to give us a rationale for treating others as ends in themselves, there would surely be circumstances in which our concern for such things could be outweighed by other matters, such as our immediate concern for our own survival. I would agree that there may be such circumstances. But it is in this context worth recalling that there are other arguments which suggest that a market-based regime centered on individual property rights as interpreted by the

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classical liberal tradition may serve to minimize the occasions on which we are forced to sacrifice other things which we value to sheer physical survival.[9]

This, then, is my highly speculative and tentative response to Michelman. I have concentrated upon only one important theme from his critique. *If* this response is adequate (and there is much here to debate), it will lead to further issues in its turn: not least as to the link between dialogue rights and property, and whether the appropriate vehicle for dialogue rights is a *negative* conception of rights. But all this—which I take to be an issue that must be argued at least in part at the level of comparative institutional analysis—and many other issues raised by Michelman's paper, must await another occasion.

NOTES

1. See Jan Narveson, *The Libertarian Idea* (Philadelphia: Temple University Press, 1988); I have developed in more detail the argument against Narveson hinted at in my text in a paper delivered in Atlanta at the American Association for the Philosophic Study of Society at the American Philosophical Association, Eastern Division, December 1989.
2. There is a parallel here with Popper's discussion in *The Open Society*, on which see my "Epistemological Limits of the State," *Political Studies*, March 1990.
3. This argument was developed from the consideration that Popper's epistemology required that we accord autonomy to other individuals of a kind that seemed to me to provide a back door to Kantianism.
4. Compare also John Gray's *Liberalisms* (London: Routledge, 1989), 248 and note, in which he criticizes an argument that I develop in my University of London Ph.D. dissertation, *The Political Thought of F A. Hayek*. I am not sure that I was there committed to the position that Gray criticizes; but I certainly do not there provide a resolution of the problem discussed here. The suggestion that I eventually take up in the present paper, however, might be seen as advancing the view that rich cultural traditions are not—as Gray would seem to suggest—antithetical to individual rights.
5. See, for some extensive discussion of such issues, my *Political Thought of F. A. von Hayek*.
6. Compare, in this connection, Steven Lukes's reference to this aspect of Habermas's ideas in his "Power and Authority," in Tom Bottomore and Robert Nisbet, eds., *A History of Sociological Analysis* (London: Heinemann Educational, 1978); see also my "Power and Politics," *Humane Studies Review* 5, no. 1 (1987–8): 3, 4, and 18.
7. My suggestion is thus that private property may be the vehicle for their self-creation, in critical interaction with others; compare, in this connection, Popper's discussion of "world 3" in his *Objective Knowledge* (Oxford: Clar-

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endon Press, 1972), and his contributions to J. C. Eccles and K. R. Popper, *The Self and Its Brain* (Springer: New York, 1977).

8. Compare Adam Smith, *The Theory of Moral Sentiments* (Oxford: Clarendon Press, 1976), III.1.3, 110–1.
9. Compare on this theme, my "The Right to Subsistence in a 'Lockean' State of Nature," *Southern Journal of Philosophy* 27 (1989): 561–8.

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*Antony Flew*

# DECONSTRUCTING, AND RECONSTRUCTING, POPPER

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RELATIVISM AND THE SOCIAL SCIENCES

by Ernest Gellner

*Cambridge: Cambridge University Press, 1985. 200 pp., £25, £8.50 (paper)*

*Gellner assails Wittgenstein's putative legitimation of the relativistic assumption that "forms of life" are autonomous and ultimate, mutually incommunicable, and immune to external criticism. Gellner's view is used here to defend a reconstructed Popperian position against all comers, including Gellner. The tactic is to attack the Cartesian presuppositions Popper implicitly shares with the whole Logical Positivist tradition, arguing that these cannot even be coherently expressed without presupposing the possession of knowledge of the various kinds thereby denied.*

This book is a collection of seven essays escorted by an Editorial Preface, an author's Introduction, two Indices, and Part III of the continuing Gellner Bibliography. Editors I.C. Jarvie and J. Agassi—whose names, perhaps significantly, do not appear on the title page—begin: "One of the surprises of editing several volumes of Gellner's essays has been the receipt of solicitous inquiries about when he died."

Happily insisting that he is still very much alive and active, they nevertheless vouchsafe no alternative account of the reasons for their own involvement. When they announce "the agenda of this volume" much of what they say seems designed to distress any reader who was, with Gellner himself and in the same period, "trained by the Oxford philosophy establishment. . . ." For he is alleged previously to have been "inter-

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preting the whole of modern history"; and to be engaged now in an "attempt to articulate a model to explain the modern world" (vii).

We find room for interpretation, however, only where there actually is a meaning or a purpose which seems at first sight obscure. Yet Gellner himself, most emphatically, is neither a theist nor a Hegelian. It must too be both foolish and frustrating to seek an explanation of "the modern world" without first formulating any tolerably specific questions to which you want correct answers. Remember Gertrude Stein who—sensible at the last—followed a penultimate, despairing, deathbed question, "What are the answers?," with the astringent and logically prior final words: "What are the questions?"

It was perhaps dissatisfaction with that Editorial Preface which led Gellner to interpolate his own alternative. This begins, truly and to the central point:

> These essays all circle around the problem of relativism, which is both simple and crucial. We know better—but how do we know that we know better? Others think the same with even greater confidence. There is a profound irony about the fact that this self-doubt has become most acute and anguished in the one civilisation which really does know better—namely, our own (1).

Later he claims that "the problem of the difference between the natural and the social/human sciences . . . is the theme underlying most of the book"(3). This is a curious claim, since Gellner nowhere so much as mentions the contention that the fundamental difference lies in the fact that there can be no laws of nature determining the senses of actions, as opposed to their consequences. Such there cannot be because laws of nature necessarily assert physical (as opposed to logical) necessities and impossibilities; whereas we are agents only and precisely when and in so far as we could, in some fundamental sense, do other than we do.[1]

### *Structuralisme, Structuralism, and Metaphysical Idealism*

Although his books have all, to my mind, been unsatisfactory or worse, Gellner as a social-philosophical essayist is, at his frequent best, both brilliant and profound. Readers of his previous collections will know too that he is also as consistently entertaining as his often dark and dreary subjects will permit.

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In Essay 5, for instance, "What is structuralisme?," Gellner elucidates the motives, insights and oversights of that fashionable form of French obscurantism in a way which is at the same time both sympathetic and devastating, while both getting and giving a lot of fun throughout the entire exercise. In part this is done by contrasting structuralisme (endowed, like Concorde, with a final e) with an older, more "humdrum structuralism—solid, earthy, blokey, and without any of that scent of the Left Bank that is forever attached to structuralisme" (135). In a style which is the man himself Gellner continues, explaining that for those earlier, workaday, social anthropologists:

> Structure was important, a matter of serious concern for men (inside the society or among investigators). Culture, on the other hand, was relatively ephemeral, accidental, epiphenomenal, and altogether suitable for women (inside the society or among investigators). Structure was, for instance, whom one could marry; culture was what the bride wore (135-6).

But for structuralisme the "favoured areas are precisely in the realm of culture: symbolism, mythology, literature, art—the erstwhile secondary qualities. . . ." Furthermore "It is not just the epiphenomenality of culture that is being denied. . . . Structuralisme has a theory of meaning . . ." under which "the essence of a symbol is not its relationship to the thing symbolized. . . . Its essence is its place in a wider system of symbols" (137).

Since this theory is manifestly idealist—in the metaphysical understanding in which Marx and Engels wanted the whole history of philosophy to be rewritten as the story of a cosmic conflict between materialism and idealism—Gellner sees it as remarkable "that there should have been a Marxist-structuraliste *rapprochement*. . . ." Those responsible were, he fears, "not unduly fastidious logically." The whole affair reminds him "of the story of the celebrated head of a famous and very enlightened and liberal Cambridge college, who was heard to remark at a wedding, nodding at the happy couple: "I have slept with both of them, and can recommend neither to the other' "(140).

Gellner himself has a nose—and a distaste—for both avowed and crypto-idealism which would have delighted the author of *Materialism and Empirio-Criticism*; although, as we shall later find reason to regret, Gellner's reading of Lenin seems not to have embraced that particular work. The sharp nose is revealed in Essay 4, "The scientific status of the social sciences (*und leider auch Sociologie*)." It there detects "that idealism is alive and well, and operates under the name of hermeneutics. The views

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which had once been articulated with the help of terms such as *Geist* or 'Spirit' now see the light of day in terms of 'meaning' or 'culture' "(122).

Again, in Essay 6, "No *haute cuisine* in Africa," Jack Goody is gently reproached for "his almost shamefaced tone" in expressing soundly materialist conclusions: "This must, I suppose, be a sign of [the] strength and authority of current neo-idealist trends. People ought to be helped to overcome them. Perhaps one could found a Hermeneutics Anonymous to give them strength to do so"(163).

Yet Gellner's materialism never misleads him into the Marxist camp. When, for instance, he criticizes the nowadays popular extension of "the notion of 'violence' to any institutional support" for anything deplored by the speaker, he cites two academic "application[s] of this formula." He then adds a note: "Both books are good examples of Leftist devotional literature"(44).

## *Relativism, Concepts and Community*

In Essay 2, "The gaffe-avoiding animal or A Bundle of Hypotheses," Gellner modestly surmises that he may say, "without fear of immediate and virulent contestation, that I am not widely known as an uncritical admirer of Ludwig Wittgenstein's later work"(70). There are indeed, in previous publications, abundant incidental evidences of Gellner's innocence on this count. But at last, in the final essay here, "Concepts and community," we have a closely argued, full-frontal, philosophical engagement. Since the later Wittgenstein never condescended to expound his main findings in any conventionally direct and straightforward way, Gellner takes as his immediate target the account of one central theme provided by Saul Kripke—"the Bobby Fischer of American philosophy"(167).

The crux is that Wittgenstein is alleged to have first discovered, and then provided an antidote to, a new and super-corrosive form of skepticism. The primary contention is that it is impossible properly to predict the ways in which any concept will or will not (in fact? or correctly?) be applied in the future, "*either* by explication, *or* by the list of examples available so far" (168). It is essential always and at once to distinguish—as here Gellner does not—between what we *should* (correctly) say and what (whether rightly or wrongly) we in fact *would* say. For it is precisely the failure to insist upon this distinction which generates the paradox. That paradox, as Kripke puts it, is that there "can be no such thing as meaning anything by any word. Each new application we make is a leap in the dark;

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any present intention could be interpreted so as to accord with anything we may choose to do" (quoted on 169). The consequence, and at the same time the supposed resolution of the paradox, is that—again in Kripke's words—

> On Wittgenstein's conception, a certain type of traditional—and overwhelmingly natural—explanation of our shared form of life is excluded. We cannot say that we all respond as we do to "68 + 57" *because* we grasp the concept of addition in the same way, that we share common responses to particular addition problems *because* we share a common concept of addition. (Quoted on 171.)

With this, as with so many other seemingly innocuous assertions, we come to realize what is at stake only as we begin to discover what is, in consequence, precluded and denied. Confessing the error of his deviationist ways before the last Congress of the CPSU(B) which he was to be permitted to attend, Trotsky declared that it was impossible for anyone "to be right against the Party," supposedly because the Party was the instrument chosen by the Russian proletariat for the fulfilment of its World-historical mission. Kripke's Wittgenstein (as well as, surely, also the historical Wittgenstein) was committed to a still more sweeping contention. This implied that, at least with respect to points of elementary informal logic and against the consensus presently prevailing within their own particular speech communities, no individual dissident can ever be right.

As Gellner insists, this commitment must make altogether unintelligible all those historically often very important developments through which a society reversed its previous consensus, and did this because it thought that now at last it had recognized previously repudiated implications: "Wittgenstein's 'solution' . . . dissolves the . . . normative power of concepts, into the descriptive fact of behavioural consensus. (Denials notwithstanding, a behaviourist reductionism is hidden within this theory of meaning)" (170).[2]

Yes indeed, it is as common as it is fallacious to argue that things just are nothing but their practically necessary preconditions. In the US the obvious reversal to contemplate is the slow-dawning recognition that rights are natural and unalienable not only for white men but also for women and blacks. These implications—unlike some others to which the Supreme Court has recently referred—truly are carried by the concepts of the Constitution.

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Wittgenstein's paradox and "Wittgenstein's 'solution' " together provide the supposed legitimation of the relativistic assumption that "forms of life" are autonomous and ultimate, mutually incommunicable, and exempt from all external criticism: "What has to be accepted, the given, is—so one can say—forms of life."[3] On the contrary, Gellner asserts:

> The falsity of the social theory of concepts is probably the single most important fact about the intellectual life of mankind. Somehow or other men have become susceptible, in their thought, to constraints other than those of mere social consensus (185).

Seeing the growth of such susceptibility as a major element in what "is normally known as the Scientific Revolution" (185), Gellner becomes concerned, in Essay 3, "Relativism and universals," with what he sees as two different but related questions: "is there but one kind of man, or are there many? Is there but one world or are there many?" (83). Exploiting his comparative advantages—he is a philosopher "trained by the Oxford . . . establishment" who has also had his fieldwork initiation into the tribe of anthropologists—Gellner enforces his own answer to the first of these questions by observing that, in his extensive experience, no anthropologists on their return from field trips have ever reported a *total* failure to understand *anything* about their tribes. Yet just this is what we ought to expect to find happening all the time if various forms of life really were incommunicably different. And, furthermore:

> It is . . . a striking feature of the explorations of—one is tempted to say, flirtations with—the idea of . . . radical differentiation in the human conceptual or other equipment, that it is carried out in the context of *one unitary world*. . . . the unique world, within which alone the inquiries into the diversity of man and hence the diversity of his visions is carried out, is . . . not *a* world; it is *the* world (86).

### *The Cartesian Presuppositions of Logical Positivism*

So far we have discussed, or at least mentioned, six of the seven essays. The first, "Positivism against Hegelianism," is much the longest; and, with the second, it is one of only two to be published for the first time now. Although not unfairly described by *The Times Higher Education Supplement* reviewer as "simply brilliant," it is also the essay which suffers most from Gellner's reluctance to learn from that Oxford philosophy with which he so long ago expressed "his utter exasperation" (vii).

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Taking a volume of papers under the title *The Positivist Dispute in German Sociology* as his provocation, he asks "whether Popper himself is a positivist. . . . The issue is far more than a verbal one, and it is highly interesting" (14). Although elsewhere—in a context revealing that what he wickedly calls "the Frankfurters" are again at the front of his mind—Gellner is ready to remark that for some "a 'positivist' is anyone who subjects a favoured theory to the indignity of testing by mere fact" (120), nowhere does he vouchsafe any explicit indication of how much this key word is here supposed to mean. So apparently he shares Popper's own notorious and sometimes unfortunate distaste for definition.

It is, nevertheless, fairly obvious that for Gellner here a positivist is a Logical Positivist; a person, that is, who holds to the official doctrines of the old original Vienna circle. Partly by not saying this outright, loud and clear—and partly by eschewing all offers of assistance from the despised Linguistic Philosophy—Gellner contrives to conceal from himself how much more of Logical Positivism there is in Popper than either Popper or he has ever realized.

Gellner begins this first essay with the sort of swing which is altogether typical of his handling of the history of ideas:

> It is a curious but undisputable fact that every philosophical baby that is born alive is either a little positivist or a little Hegelian. It is also interesting that philosophically Europe has remained in the eighteenth century. . . . There is an Anglo-Austrian alliance, facing a Franco-Prussian one. Muscovy and the states and principalities of the Mediterranean area tend to be aligned with the Paris-Berlin axis, while the Scandinavians side with the opposing camp. (4)

Gellner next proceeds to present each alliance's "simple and damning" picture of its opponents:

> In Hegelian eyes, positivists, by equating phenomena with their observable and isolated manifestations, are doomed to superficiality, a naive bypassing of the real problem of knowledge, and the endorsement of the political status quo. . . . They are doomed to such conceptual and political one-dimensionality by the fact that they cannot ask deep questions or consider radical alternatives. . . . They revere observable facts, and these are but the surface of things. Truth is deeper. (4–5)

Sir Karl Popper, as "the most distinguished living representative of the Anglo-Austrian alliance," is called upon to present his own picture of the opposition:

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> Some of the famous leaders of German sociology . . . are . . . simply talking trivialities in high-sounding language. . . . They teach this to their students . . . who do the same. . . . The genuine and general feeling of dissatisfaction which is manifest in their hostility to the society in which they live is, I think, a reflection of their unconscious dissatisfaction with the sterility of their own activities. (Quoted on 5.)

Gellner's wide-ranging, witty and paradoxical treatment of this historic confrontation between two great intellectual alliances defies summary. His conclusion, however, is firm and clear. In contrast with the labors of the late W.W. Bartley III in *The Retreat to Commitment* and later, Gellner has "tried to show that . . . the empiricist/positivist tradition . . . *can* and *should* be positively justified" (67). But the justification cannot be a kind provided for within that tradition:

> it involves making a choice between total, identity-involving, social and conceptual package deals, in a shamelessly, brazenly Pirandellian manner. . . . So in the end [in a supremely paradoxical epitome,] the positivists are right. For Hegelian reasons. (67)

Popper himself rebuts the charge of positivism by referring to his "various overtly metaphysical views" such as realism and "libertarianism (doctrine of the freedom of the will)" (quoted on 14-15).

The first of these Gellner explicates as "the belief in the objective existence of an external world. The contrary view consists of asserting that the 'external world' is simply a way of referring indirectly to our own experience"(15). Against this, and against all Popper's other "overtly metaphysical views" Gellner objects, "*precisely*, that they sin against the requirement of falsifiability"(15).

Ad hominem such an objection is, perhaps, satisfactory. But to present the "belief in the objective existence of an external world" in this way is to fail to make a fundamental and crucial distinction: the distinction, that is, between the plain person's and the philosopher's senses of "experience." In the former, to have had experience of cows just is to have been in both practical and cognitive contact with those flesh-and-blood denizens of the Cartesian external world. In the latter, it would be sufficient: either simply and solely to have dreamed of cows; or to have had "cowish" (i.e., cow-suggesting) sense-data, but these entertained without foreclosing on the possibility that they might have been "wild" (i.e., not caused by any such putative external reality as a flesh-and-blood, milk-in-udder cow). Empiricists who refer to experience in the first, everyday understanding talk obvious scientific sense. But those empiricists for whom experience

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is solely of the second sort will find no escape from the trap of an altogether unbelievable phenomenalism. (To insist upon this and similar fundamental distinctions is to make a move characteristic of that Oxford philosophy from which both Gellner and Popper mistakenly believe that they have nothing to learn.)

The important truth is that Popper shared with the Vienna circle, and apparently still holds to, three Cartesian presuppositions.[4] These epitomize the position reached by Descartes at the end of the second paragraph of Part IV of his *Discourse on the Method*. First comes the assumption that all arguments must be either deductive or defective, since the only evidence sufficient to warrant a claim to know is evidence entailing whatever proposition it is hoped to know. Second is the notion that we are (all of us) forever imprisoned behind Veils of Appearance, since we can never be immediately aware of any mind-independent realities: there is no such thing as perception. Third, and finally, it is argued or assumed that we essentially are incorporeal subjects of (only) the limited and ingrown sort of experience allowed for under the second of these three principles.[5]

These three presuppositions constitute a connected cluster. Everyone is forever imprisoned behind their several individual private Veils of Appearance because the having of any sense-data—any purely subjective experiences of a sensory kind, that is—conceivably could consist with the non-existence of those mind-independent realities which the skeptically uninstructed would in their innocence have taken to be the causes of those sense-data. But if this is so, then, by the first principle, we can never know the truth of "realism (in the sense of the objective existence of an external reality)" (quoted on 14).

What then, as Gilbert Ryle once asked in a Finals examination, is the External World external to? To this the approved First Class answer, validated by the third Cartesian principle, is "the Ghost in the Machine." It is this same false Cartesian answer to the question "To what sort of creatures are person words used to refer?" which greases the slide to the seductive but false conclusion that the Cartesian cognitive predicament is one which we all share collectively. Gellner makes much of the transition from the first person to the third. But the most crucial and difficult move here is from the first person *singular* to the first person *plural*. The supreme and perhaps the sole substantial philosophical contribution of Lenin was, throughout his *Materialism and Empirio-Criticism*, relentlessly and repeatedly to insist that anyone who starts where Descartes started has in consistency to end in some sort of solipsism.[6]

But anyone who knows that there are (other) people already knows that there are some (other) creatures of flesh and blood; all of them—all

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of us—paradigm specimens of mind-independent realities. So any metaphysical commitment made to realism will have to be, for anyone who really is taking off from the Cartesian starting point, like everything else, strictly and totally solitary. It will be time for the skeptic to believe that he or she is not alone in the Universe only after that boldy credulous metaphysical move has been once for all decisively made. But do we really have to follow Popper, the Vienna circle, and the others whose name among philosophers is Legion, in accepting that starting point? For us who do not the next tasks are: first to suggest that the radical Cartesian skepticism could not even be expressed without presupposing that the skeptic possesses knowledge inconsistent with that skepticism; and then to attack both the first of the three presuppositions and the consequences which Popper draws therefrom. So consider again some famous words from Part IV of the *Discourse on the Method*:

> . . . on the ground that our senses sometimes deceive us, I wanted to suppose that there was not anything corresponding to what they make us imagine. And, because . . . I judged that I was as much subject to error as anyone else, I rejected as unsound all the reasonings which I had hitherto taken for demonstrations. Finally, taking account of the fact that all the same experiences which we have when we are awake can also come to us when we are asleep, without there being one of them which is then veridical, I resolved to pretend that everything which had ever entered into my mind was no more veridical than the illusions of my dreams.

Here two objections, very tersely stated, must suffice. First, the arguments deployed by Descartes appear to be of that egregiously fallacious form in which commended conclusions not merely do not follow from but actually contradict proferred premises. For he seems to be urging that we should at least suppose that we never know, because (we sometimes do know that) we were previously mistaken. But, surely, it is scarcely possible to know that you made a perceptual mistake without simultaneously possessing some knowledge of what is or was positively the case?

Second, Descartes employs several key words and expressions—"dream," "unsound reasonings," and so on—which he could not be said to understand if he really was unable to apply them confidently and correctly to even the simplest and most paradigmatic specimens of their true referents. What teacher would give marks in a vocabulary test to pupils so incapable? This argument is, or these arguments are, a token, or tokens, of an extremely powerful new type of defense against radical skepticism. In the straightjacket of his three Cartesian presuppositions

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Popper believes that he can reach a commonsense realism only by making a huge metaphysical leap. But this particular Great Leap Forward becomes superfluous if it can be shown that the radical skepticism of those presuppositions cannot even be expressed without presupposing a knowledge which that skepticism denies.

The second metaphysical leap previously mentioned—the leap to "libertarianism (the doctrine of the freedom of the will)"—is similarly redundant. Gellner examines "an argument in favour of the doctrine of free will" found in *Objective Knowledge*. Popper there doubted whether anyone could have predicted, "for instance, Mozart's next composition" (26). Gellner first repeats his original objection to all such unfalsifiable metaphysical claims: "It is precisely my Popperism which makes me feel ill at ease with a conjecture which runs no fatal risks" (26); adding then the further objection that, "on closer examination, the argument from Mozart breaks up into three distinct but conflated or confused subsidiary arguments" (27), none of which is compelling, and some of which collapse into irrelevant tautologies. Oddly, however, Gellner does not mention *The Open Universe: An Argument for Indeterminism*. It was on the very first page of that book that Popper refused to appeal to "the intuitive idea of free will: as a rational argument in favour of indeterminism it is useless."[7]

It is clear that he had in mind appeals to a sort of experiences, in the peculiarly philosophical sense of "experience"—appeals to the purely private experiences of an incorporeal Cartesian subject. Argument from experiences such as these is indeed futile. But it is another matter altogether to appeal to experience in the everyday understanding of the word; that understanding in which experience of cows is had only by those who get up to milk them, and not at all by merely dreaming slugabeds. For we do all have, even when we do not always enjoy, the required experiences: not only—pace Hume—experiences of physical (as opposed to logical) necessity, and of physical (as opposed to logical) impossibility; but also experiences (not of course of in principle unpredictability but) of unnecessitated agency, of agents being always and as such able to do other than they do. It also appears that the notion of counterfactuality—a notion (surely, like that of cause of which it forms one essential element) indispensable to science—arises from the tension between the notions of agency and of physical necessity.

Those employing this new type of anti-skeptical argument maintain that, since none of these key concepts could be acquired by creatures which did not enjoy the sorts of experience to which they are used to refer, it must be egregiously preposterous to pretend that any of them is everywhere inapplicable. Those skeptics who would dispute the basic

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claim of this argument have, if they are right, an open road before them. Since, as Aristotle most famously insisted, the argument from actuality to possibility always goes through, all the skeptics have to do to win is to show how these ideas are in fact acquired in a Universe in which, they assert, such ideas have no correct applications.

The naysayers' assurance of victory might be much reduced were they to reflect that Hume was surely thinking of himself as an incorporeal Cartesian spectator, rather than as a participating corporeal agent, when he failed to find the impression needed to legitimate a genuine idea of physical necessity. Gellner, as a connoisseur of twists and turns in the history of ideas, will here be delighted to observe that what I have been calling a new type of argument is merely an anti-Cartesian response to Hume's challenge to produce the legitimating impressions!

To return to Wittgenstein for a moment: whether or not he was right to maintain that the suggestion of a logically private language is incoherent, it is certainly true that, if anyone is to describe in a public language the contents of their essentially subjective experiences—the contents of their dreams, sense-data, hallucinations, and so on, that is—then they will have to do it by referring in some way, either directly or indirectly, to public objects. If I am to understand what you mean by, for instance, "yellow," and you too are to understand what I mean by that exemplary word, then there do have to be some yellow objects available for public viewing.[8] All of those who share that public language have to start from, and to be ever ready to refer back to, the "*one unitary world* . . . the unique world, within which alone the inquiries into the diversity of man and hence the diversity of his visions is carried out. . . . " It "is not *a* world; it is *the* world" (86).

## *An Epistemology of Nescience*

The assault upon the first Cartesian presupposition, and upon the paradoxical conclusions into which it misguides Popper, has to begin from a much quoted passage:

> The old scientific idea of *episteme*—of absolutely certain, demonstrable knowledge—has proved to be an idol. . . . Every scientific statement must remain tentative for *ever*. . . . The wrong view of science betrays itself in the craving to be right; for it is not his *possession* of knowledge of irrefutable truth, that makes the man of science, but his persistent and recklessly critical *quest* for truth.[9]

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And again, later:

> We must not look upon science as a 'body of knowledge', but rather as a system of hypotheses . . . a system of guesses . . . of which we are never justified in saying that we know that they are 'true' or 'more or less certain' or even 'probable'.[10]

If we take all this at the foot of the letter, and if it is to be applied consistently not only to the most abstract and general scientific theories but also to any and every claim to know even singular and concrete facts, then Popper's entire philosophy of science reduces to absurdity: there neither is nor could be any knowledge of the public world; and hence no growth of such knowledge, whether scientific or other. It reduces to a proud proclamation of wholesale and forever incurable nescience; a curious secular universalization of that invincible ignorance which charitable Roman Catholics attribute to honest but incorrigible unbelievers.

At this point, overlooking that such suggestions scarcely flatter the author's care and competence as a writer, the determined defender may essay to urge that Popper did not really mean what he so clearly and so unreservedly said. There is, however, little mileage to be made through this kind of diversionary defense. After all, the original German version of the book in question was first published in 1934, and the author appears in the years since to have found no occasion to disown any even of these most outrageous implications.

On the contrary: it is because of his principled rejection of argument from experience—a rejection identified with Hume's "refutation of induction," and following from his and Hume's acceptance of the first Cartesian presupposition—that Popper and his followers call upon the rest of us to join with them in repudiating that supposed new sin of justificationism. (The justificationist is one who insists upon demanding and providing empirical evidence, in the allegedly mistaken belief that such evidence, even though it can perhaps never decisively demonstrate, may nevertheless at least probabilify, propositions stating or purporting to state "matters of fact and real existence." His offense is a kind of behavior which was at one time regarded as an expression of intellectual virtue!)

It may be suggested that really Popper wished to reject only one particular conception of scientific knowledge. It is perhaps a conception: either requiring that the knower be infallible; or implying that knowledge must be restricted to propositions about the truth of which the knower could not conceivably be mistaken, and to those further propositions which may be validly deduced therefrom. Such a conception might well

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be, though scarcely deduced, derived from the Cartesian presuppositions. Since none of us is infallible, and since there are no propositions about the truth of which no one could conceivably be mistaken, the acceptance of this supremely demanding conception must imply that there is no such thing as scientific knowledge or indeed any other sort of knowledge. Certainly these implications constitute sufficient reason both to reject that conception outright and to raise urgent questions about whatever principles appear to carry such devastating consequences.

What is wrong, we should ask, with the ordinary everyday conception of knowledge? (Under this I am truly said to know the philosophers' beloved proposition p if and only if both p is true and I have sufficient evidencing reason, or am otherwise in a position properly to claim, to know p.) Presumably the Popperian answer will ultimately refer back to the first two Cartesian presuppositions. We can be in a position properly to claim to know, for instance, that Smith called yesterday, when we have no good evidencing reasons but instead what, because so much more direct and immediate, is better than any evidence—namely, what is called "the evidence of our own eyes" (and other senses). All such everyday cognitive claims are, however, disqualified by the second Cartesian presupposition.

Popper is not, of course, thinking or writing about such trivial and pedestrian affairs. He is talking about science; and, though his theses are not explicitly restricted to any one scientific area, it is obvious that what he has most vividly in mind is fundamental physics and, in particular, the Einsteinian revolution. It may well be that Popper's theses do indeed fit the facts here quite well, and that these leave room both for metaphysical beliefs about the reality of postulated entities which turn out to be forever unobservable; and for Duhemian doubts about the cognitive status of all present and future theories. But Popper's wholesale contentions about the lack not only of knowledge but even of probabilifying evidence are no more applicable to such historical natural sciences as geology and evolutionary biology than they are to either the social/human sciences or our everyday lives.

It is perhaps significant that Popper has been embarrassed by Darwin's achievement, and was for a long time reluctant to admit its scientific legitimacy: "I have come to the conclusion that Darwinism is not a testable scientific theory but a *metaphysical research programme*—a possible framework for testable scientific theories."[11] For, while it is no doubt all very well to insist that crude exercises of induction by simple enumeration will get no one very far, it is another matter altogether, and altogether outra-

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geous, to dismiss all argument from experience and any deployment, however sophisticated, of evidencing reasons as nevertheless impotent even to probabilify. Consider, for instance, as a textbook example of what Whewell called "the consilience of inductions," *The Origin of Species* itself; and compare any good statement of the contemporary case for the Neo-Darwinian theory.[12]

Gellner makes much of Popper's (originally italicized) reckless assertion: "Critical reason is the only alternative to violence so far discovered" (quoted on 42). If this were true, Gellner points out, as obviously it is not, then any and every non-violent response to disputatious utterance would have to rate as critically rational. Clearly this will not do; and clearly we need some more positive account, and that one which grants some more than merely falsificatory function to experience. Yet so much will certainly still not be sufficient.

For there is at least one further essential: namely, some stipulation about the *purposes* of the criticism and the critics. It is this which is conspicuously lacking from one would-be commendatory statement by Gellner's editors: "An author's significance stems from the questions he addresses being important and the answers he conjures to them being new, or from his defending old answers with new arguments or otherwise presenting them in a new light for reconsideration" (vii).

The absence from this apothegm of any reference to truth licenses the most frivolous and onanistsic playing with ideas. Nor is it always irrational to press questions and objections which are irrelevant, diversionary or simply dishonest. You, after all, may have your own good reasons for not wanting truth to out. In a typically insightful, jabbing parenthesis within the later culinary essay Gellner remarks:

> Marxists actually talk of the 'idealist theory of violence', meaning the allegedly erroneous supposition that political domination, purely self-serving and not at all the instrument of any pre-existing economic class, could ever be the basis of a social system. It is ironic that an ideology which has helped to engender just such a system should also deprive itself of any language in which to describe it. (158)

But—in so far as Marxism is and perhaps always has been a powerful revolutionary rhetoric rather than a bold would-be scientific conjecture, put forward for testing and possible rejection in the light of stubborn social fact—it is dishonest rather than irrational for Marxists to make no theoretical provision for describing post-revolutionary realities. (How

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can we, they must ask themselves, expect them to help us into irremovable power if we reveal how we shall behave when we get there?) The Popperian, therefore, has inflexibly to insist that the rational criticism required must be truth-directed.

Popper himself has made proposals, which are close kin to one another, for the spheres of both theoretical science and practical policy. In each case Popperian methodology can be seen as the direct and necessary outcome of *sincerity* in the appropriate purposes. It is the more worthwhile to represent these recommendations in this way in as much as he himself seems never to have done so. His apparent reluctance, and the consequent failure to deploy what is perhaps the most powerful supporting argument, are probably to be explained by reference to a generous yet unrealistic hesitancy to recognize discreditable distractions or even sheer bad faith in any of his academic or political opponents.

We need here to seize, and never let go of, simple truths about the logical relations between three ideas: sincerity of purpose; means/end rationality; and the monitoring of success or failure. Sincerity in any purpose whatsoever absolutely presupposes a strong concern to discover whether and how far that cherished purpose has been or is being achieved. Furthermore, if and in so far as the agent becomes aware that it has not been or is not being achieved, we cannot, unless there is a readiness to attempt alternative tactics, truly say that that purpose continues to be sincerely harbored.

Now the aim of theoretical science is or should be truth. Given this aim the critical approach must follow. The person who truly wants the truth, like the knight who with pure heart and single mind seeks the Holy Grail, cannot and will not embrace unexamined candidates. He must and will be ever ready to test, and test and test again. But testing for truth is in this context precisely what rational criticism is.

A large part of this critical notice has consisted in argument that Popper has been ruinously and repeatedly misled by accepting the three Cartesian presuppositions which so misguided Hume. But these same fatal presuppositions seem still to hold Gellner too in their grip. This comes out more manifestly in his treatment of the "belief in the objective existence of the external world." For it is only upon these assumptions that this belief can be presented as "overtly metaphysical" and, hence, scandalously unfalsifiable. If perception occurs, then every human perceiver knows that there are other things and other people.

Certainly Gellner is right to insist that "the empiricist/positivist tradition . . . *can* and *should* be positively justified," and right too to maintain

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that the justification cannot be of a kind provided for within that (always stubbornly Cartesian) tradition. But it is not necessary to make "a choice between total, identity involving, social and conceptual package deals, in a shamelessly, brazenly Pirandellian manner." Nor is it possible to show, paradoxically, that "the positivists are right," yet only "For Hegelian reasons." It is sufficient, simply, to employ against the skepticism sustaining those Cartesian presuppositions weapons provided by the so despised Oxford philosophy.

NOTES

1. For an introduction to the philosophy of the social sciences which maintains and develops this thesis, see my *Thinking about Social Thinking* (Oxford: Blackwell, 1985).
2. See, for a critique of one exceptionally well-girded attempt to do exactly this, my "A Strong Programme for the Sociology of Belief," *Inquiry* 25, no. 4 (September 1982): 365–78.
3. Ludwig Wittgenstein, *Philosophical Investigations* (Oxford: Blackwell, 1953), 225e.
4. For an exploration of the various ways in which Hume—identified by members of that circle as their classical forefather—was misguided by these same three Cartesian presuppositions, see my *David Hume: Philosopher of Moral Science* (Oxford: Blackwell, 1986).
5. That Popper as coauthor with J. C. Eccles also accepts this third assumption becomes clear from the very title of *The Self and Its Brain* (Berlin, New York and London: Springer International, 1977). But compare also my Gifford Lectures, *The Logic of Morality* (Oxford: Blackwell, 1987).
6. For a critique of this work, see "Lenin and the Cartesian Inheritance" in my *A Rational Animal, and Other Philosophical Essays on the Nature of Man* (Oxford: Clarendon, 1978). The empirio-critics, by the way, were precursors of the Vienna circle.
7. K. R. Popper, *The Open Universe: An Argument for Indeterminism* (London: Hutchinson, 1982), 1. I contributed a critical notice of this book to *Philosophical Investigations* 7, no. 1 (January 1984): 75–87. Compare also A. Flew and G. Vesey, *Agency and Necessity* (Oxford: Blackwell, 1987).
8. Since one reviewer of my later *David Hume* conjectured that this argument was an unacknowledged borrowing from Davidson and, possibly for that reason, appeared to find some difficulty in understanding it, I may perhaps be permitted to point out, in the comparative privacy of a note, that I first published it, with appropriate acknowledgements, in *Hume's Philosophy of Belief* (London: Routledge and Kegan Paul, 1961), 28–52.
9. Popper, *The Logic of Scientific Discovery* (London: Hutchinson, 1959), 280–1.

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10. *Ibid.*, 317.
11. Popper, "An Intellectual Autobiography," in P. A. Schlipp, ed., *The Philosophy of K. R. Popper* (La Salle, Ill.: Open Court, 1974), vol. 1, 134.
12. For example, M. Ruse, *Taking Darwin Seriously* (Oxford: Blackwell, 1986), 1–28.

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# HERMENEUTICS: A PROTREPTIC

*An argument is made for the relevance of phenomenological hermeneutics to economics, with special attention to recent debates on hermeneutics among economists of the Austrian school of Ludwig von Mises and F. A. Hayek. Hermeneutics is explicated in the context of Husserlian phenomenology, with special attention to phenomenology's Aristotelian roots. Naive and methodological forms of "objectivism" are contrasted with hermeneutics, which recovers the horizons of scientific knowledge: the whole, and the activities of the human knower. Finally, the charges that hermeneutics entails pernicious forms of relativism and historicism are confronted.*

A *protreptic* is a rhetorical exhortation to pursue a particular kind of wisdom. What follows is an exhortation to economists, especially Austrian-school economists, to study and apply hermeneutics. In a number of recent articles, Austrian-school economists have been vigorously exhorted *not* to explore a more hermeneutical approach to economics.[1] Those Austrians who have adopted a more hermeneutical approach include Ludwig M. Lachmann, Don Lavoie, and Richard Ebeling.[2] They are opposed, chiefly, by Murray N. Rothbard and Hans-Hermann Hoppe, who offer as a methodological alternative a Euclidean formalization of the "praxeology" of Ludwig von Mises.[3]

I will proceed by raising four questions about hermeneutics. These questions are (1) What is hermeneutics? (2) What does hermeneutics have to offer economics? (3) Is hermeneutics relativistic? and (4) Is hermeneutics historicist?

Hermeneutics may be provisionally defined as the study of interpretation or understanding. (I will use these words as synonyms.) Interpretation may be

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provisionally defined as the process of bringing out and apprehending the identities of things. There are many schools of thought which call themselves hermeneutical. The strain of hermeneutics which I will set out and defend is the phenomenological hermeneutics of Edmund Husserl (1859–1938), Martin Heidegger (1889–1976), and Hans-Georg Gadamer (b. 1900). Thus, unless indicated to the contrary by context, I will use the words "hermeneutics" and "phenomenology" interchangeably. I will mention the other schools of thought associated with hermeneutics—the pragmatic hermeneutics of Richard Rorty and G.B. Madison and the deconstructionist school of Jacques Derrida and his followers—only in passing.[4] I will offer no defense of these schools because I believe that they make unnecessary concessions to relativism and historicism.

## I. WHAT IS HERMENEUTICS?

To answer this question, I will explicate hermeneutics in the context of Husserl's phenomenology, out of which the ideas of Heidegger and Gadamer emerge. This approach is necessary if hermeneutics is to be defended from the claim that it entails relativism—a claim advanced as often by the proponents of hermeneutics as by its detractors. The hermeneutics of Heidegger and Gadamer are interpreted as relativist largely because Heidegger and Gadamer do not give an account of the nature and method of their phenomenological reflections on understanding. Nor do they expend much energy accounting for the relationship of understanding to the world. And without these accounts, Heidegger and Gadamer tend to be appropriated in the context of the facile relativism and skepticism that so dominate Anglo-American philosophy in both its analytic and Continental modes. Husserl, however, provides exhaustively detailed accounts of the nature of phenomenology and the relationship of mind and world which close off the possibility of relativistic appropriations of hermeneutics.

Husserl's phenomenology represents a radical critique of and break with philosophical modernity. With the arguable exception of Nietzsche, Husserl is the first "post-modern" thinker. The supreme irony of Husserl's project is that he looked to Descartes, the father of modern philosophy, as his model. Descartes overthrew the scholasticism of his day not by refuting it but, in effect, by ignoring it. He turned away from academic chatter in search of a radically new, secure, and absolute foundation for thought. Unlike Husserl's contemporaries, who accepted virtually the entire doctrinal content of Cartesian philosophy while having lost its radicalism, Husserl rejected virtually the entire doctrinal content of Cartesian philosophy but embraced its radical will to begin anew.[5]

Husserl launched his program under two banners, which, from the viewpoint of the philosophical mainstream, seem to contradict one another. Husserl wanted philosophy to return "to the things themselves," *and* he wanted philosophy to make a radical turn toward subjectivity. The two halves are united by his

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conception of the intentionality—the inherent object-directedness—of consciousness. "To the things themselves" expressed a commitment to discard anonymous, floating opinions and to take a first-hand look at reality. The turn toward subjectivity arose from Husserl's conviction that the proper role of philosophy is to open up and study the realm of human subjectivity that gives us the world. Husserl held that his study of subjectivity was purely descriptive, not contentious. But he held also that phenomenological descriptions were self-evident and apodictic truths. Although Husserl was not concerned with refuting the skeptical arguments of Cartesian philosophy, he was certain that his apodictic descriptions would secure and account for the nature of consciousness and its relationship to the world in such a way that skepticism simply could not arise.

The extension of the Husserlian project was carried out by many thinkers, most notably Max Scheler (1874–1928) and Martin Heidegger, who moved beyond Husserl's narrow interest in logical, mathematical, and scientific modes of knowing and demonstrated that interpretation is essential to man's "Being" in the world as such, from the most concrete levels of the unreflective perception and manipulation of things to the most abstract and speculative achievements of logic and mathematics.[6] Subsequently, Gadamer's task has been the systematization of one stage of Heidegger's thinking and the application of the resulting insights to the human sciences and the history of philosophy.[7]

Although phenomenology grows out of the context of German neo-Kantianism, I believe that it is best seen as a critical recovery of Aristotelian realism. By "Aristotelian realism" I do not simply mean a species of the "epistemological" realism offered in the modern debates over the Cartesian "problem of the external world." Such realisms implicitly grant the primacy of consciousness and then struggle to argue their ways out to the external world. Instead, I mean an approach to philosophy which starts with the primacy of existence—the self-evident givenness of the world—and proceeds to describe our relationship to that world.

By a "critical recovery" of Aristotelian realism, I mean that phenomenology offers a critique (implicit in Husserl, explicit in Heidegger) of two central components of Aristotle's realism: (1) his conception of *noûs* (the "intuitive intellect") as a faculty which can have no nature of its own in order that it may know things—a premise which made possible Kantian idealism;[8] and (2) his *hylomorphism*, the conception of the individual as ontologically bifurcated into, on the one hand, a universal, intelligible form which can be intuitively grasped by *noûs* and, on the other hand, into matter, which individuates form and which is unknowable and unintelligible in itself. Aristotle's hylomorphism gave fuel to another form of idealism: Hegel's.[9] Against these ideas, phenomenology stresses the finitude of the human knower and the non-mindlike nature of the world. Phenomenology resolutely refrains from projecting features of subjectivity—e.g., universals—into the world and reifying them. In this sense alone phenomenology is "existentialist."

The phenomenological critique of *noûs* and hylomorphism grew in and drew upon the atmosphere of Kantian and neo-Kantian "critical" philosophy, which stressed—against Aristotle—that the intellect does have a finite and determinate

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structure, and—against the various strains of Cartesian realism, idealism, and representationalism—that the objective has to have a component of inexhaustible absence to consciousness (Kant's "thing in itself") if it can be considered truly objective.[10]

The forging of phenomenology in the confrontation of Aristotelian realism and post-Kantian idealism—in which each doctrine both criticized and completed the other—made possible a new form of philosophy which transcends both realism and idealism. Phenomenology is in agreement with the realist thesis that objects exist independent of our consciousness of them. But it differs decisively with the realist tendency to occlude or exclude the nature of the subject and to reify the functions of consciousness by restricting our focus to the external world.[11]

Like idealism, phenomenology is fully aware of the structures and activities of the subject. But unlike the idealists, phenomenologists see these structures and activities as truly intentional: they give us the real world, not mere products of consciousness—an insight of St. Thomas Aquinas which Husserl developed consistently. Phenomenology, then, could be called either a non-naive realism or a non-subjective idealism. It is, however, probably best to dispense with such terms altogether. Phenomenology is not a mere middle-of-the-road compromise between two fundamentally incompatible doctrines. It claims to be the road itself—idealism and realism being the ditches on each side into which traditional philosophies keep crashing.

This line of interpretation is by no means uncontroversial. Can Husserl, Heidegger, and Gadamer truly be considered part of the same tradition? Husserl's and Gadamer's views are often seen as being oceans apart, Heidegger being the ocean that separates them. Such opinions are commonly based on a myth popularized by Ludwig Landgrebe and Maurice Merleau-Ponty.[12] Husserl, runs this myth, was the last great Cartesian/neo-Kantian foundationalist, a man to wanted to make philosophy a "rigorous science" and the foundation of all culture. Nevertheless, late in life, Husserl fell under the sway of his own student, Heidegger. Husserl then lost his nerve, abandoning his radical foundationalism and belly-flopping into Heideggerian "historicism." The document recording this shift is Husserl's last, unfinished work, *The Crisis of European Sciences and Transcendental Phenomenology*.[13] The upshot is that, to the extent that Husserl is a rigorous phenomenologist, he is worlds apart from Heidegger (and, by extension, Gadamer). And to the extent that Husserl departs from his earlier work, he is but a pathetic shadow of Heidegger. Those who have embraced Heidegger and Gadamer tend to view Husserlian phenomenology as the last failed attempt of the traditional epistemological project, of interest only to antiquarians. Those who reject Heidegger and Gadamer as nihilists tend to latch onto the "early" Husserl, especially the *Logical Investigations*, as a life-preserver in the rising floodwaters of nihilism.

This view has been decisively challenged by Gadamer himself, as well as by John D. Caputo, Robert Sokolowski, and John J. Drummond.[14] The essence of

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their otherwise rather different approaches is to stress the unity of Husserl's philosophical development, and the unity of Heidegger's and Gadamer's work with Husserl's. Husserl's early phenomenology, although filled with the rhetoric of rigor and exact science, is neither a conventional attempt at foundationalist epistemology, nor an essentially anti-historical project. Thus Husserl's later, more historical work does not represent an abandonment of his desire to construct a rigorous and scientific philosophy in favor of historicism. Instead, it represents a logical extension of phenomenology to the problem of history. As for the relationships of Heidegger and Gadamer to Husserl: while it is impossible to deny the differences between these thinkers, it seems clear that once one looks beneath their differing rhetorics and behind their self-interpretations to the substance of their work, Heidegger's and Gadamer's departures from Husserl, and from one another, seem less like revisions of core teachings than the opening up of new horizons for those teachings.

Husserl was a seminal, Protean thinker. Like Derrida's deconstruction, Husserl's phenomenology is less a systematic doctrine than an intellectual strategy. Thus there is inevitably a measure of distortion in any attempt to extract and explicate separate "tenets" of Husserlian phenomenology. Nonetheless, in the following, I will indicate how Husserl adumbrates the central tenets of the hermeneutics taken up by Heidegger and Gadamer, and how Heidegger and Gadamer provide a new context for these tenets. I will deal with four main Husserlian themes. To fulfill my phenomenological jargon quota, I will dub these positions (1) *transcendental horizonal thinking*, (2) *identification through empty and filled intentions*, (3) *the temporal horizon of transcendental subjectivity*, and (4) *the hermeneutical structure of intentionality*. Heidegger and Gadamer's contextualization of these tenets will be explored under two headings: (1) *history* and (2) *the critique of presuppositionlessness*.

## *Transcendental Horizonal Thinking*

A central theme of the hermeneutics of Gadamer and Heidegger is the contextual or "horizonal" character of understanding. All things—from history to human facial expressions to the great texts of philosophy—have their meanings within and through a context, a matrix of background knowledge and interpretive acts which are brought to the object of understanding. One understands something new by integrating it into one's background knowledge, a process which activates or discloses the identities of things. This doctrine is prefigured by Husserl's project of uncovering and describing the structures and acts of consciousness which give us objects.

Understanding is a process of consciousness. Thus it is in the context of the study of the acts of consciousness in general that this process is best understood. Consciousness is best defined ostensively. You, the reader, are conscious of this essay. In all of its forms, consciousness is *intentional*. By intentionality, I mean

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object-directedness. A given act of consciousness, by its very nature, intends something other than that act of consciousness. The intentional conception of consciousness should be appreciated in contrast to the "representationalist" conception of consciousness that is predominant in modern philosophy. This is the model of consciousness as an "inner space" filled with "representations" of external objects which are scrutinized by an "inner eye." On the representationalist model, the relationship between the knower and the known is a relationship internal to consciousness. It is the relationship between the inner eye and a representation which, although supposedly based upon external objects, is itself composed out of the stuff of consciousness. By contrast, on the intentional model, the *primary* objects of consciousness are things *other than* conscious acts: independent objects, such as the page before the reader, or somatic and psychological states, such as hunger, boredom, fear, etc. These are the primary objects of intentionality because, unless such things are there to be intended, consciousness itself does not come into existence.

However, once intentional acts have been called into existence by independent objects or psychological and somatic states, a second category of potential objects of consciousness also comes into existence. This second category consists of *conscious acts themselves.* The nature of the human knower is such that it can disengage itself from the primary objects of consciousness by turning its attention to those acts which give us the objects. In other words, we are capable of making *that by which* we intend objects into a new category of objects. This reflection upon and description of the structures and acts of consciousness through which we have the world is phenomenology. The act of shifting one's attention from the primary objects of consciousness to the structures and acts of consciousness is called *phenomenological reduction.*[15]

Phenomenological reduction is re-duction in the most literal sense: a leading back. Husserl showed that all objects of straightforward, unreflective intentionality are objects within a horizon or against a background. (I will use "horizon," "context," and "background" as equivalent. "Conceptual scheme" and "paradigm" will be used to refer to aspects of horizon/context/background.) This background, insofar as it is functioning as a background, is not itself an object of intentionality. Re-duction is simultaneously a disengagement with the object in the foreground and a leading back to the background through and against which the object is given.

This background is what Husserl calls "transcendental subjectivity." He calls it "transcendental" to distinguish it from psychological or somatic subjectivity. The transcendental is that which is related to the transcendent. Transcendental subjectivity, therefore, is the subjectivity related to that which transcends subjectivity: the transcendent or objective world. Transcendental subjectivity is *knowing* subjectivity, the structures and acts of consciousness that give us the world. (It is what Heidegger called *"Dasein,"* the "dative," the "to whom," of the world's manifestation.)[16]

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To concretize phenomenological reduction and description, take, for example, this periodical, CRITICAL REVIEW. When one intends it directly, one can describe its color, shape, size, weight, and any other physical or perceptual property. Through a slight change of focus, however, one can cease to intend the periodical directly. One can cease to focus on its *physical* and *perceptual* properties and focus instead upon its *intentional* or *presentational* aspects. (For my purposes here, I will use "intention" and "presentation" as synonyms.) One can cease to focus on the *content* of the presentation and focus instead on the *form*.

For instance, one can observe that the periodical is present as existing independent of one's perception of it. When we first experience CRITICAL REVIEW, we do not experience it has having just popped into existence. Instead, we experience it as a pre-extant object which has been uncovered, revealed, or presenced by us. Furthermore, we experience it as a three-dimensional object. It is extended in space and has more than one side and a potential infinity of different profiles and aspects, depending upon the environment in which, and the standpoint from which, one views it. Furthermore, although only one side, profile, or aspect is present at once, the periodical also presents itself as having absent sides, profiles, and aspects which can be made present if one shifts one's position relative to it. One can also observe that one does not experience the succession of present and absent sides, aspects and profiles as a parade of disjointed pieces which, taken together, compose the object. Rather, one experiences them as aspects of one whole.

A difficult and controversial aspect of phenomenological reflection is the "*epochē*," or the phenomenological "bracketing" of the primary object of intentionality: the world. To phenomenologically bracket the world is to take a detached or reflective stance toward it. The nature of bracketing can best be appreciated by considering the foregoing phenomenological reflections on an issue of CRITICAL REVIEW. Whenever one tries to reflect on the presentational aspects of the periodical one begins to lose track of the words on the pages that it contains. And whenever one attends to the words, one loses track of the presentational aspects of the journal of which they are a part. The process of straightforward engagement with the periodical (reading) cannot be carried out at the same time that one reflects upon this engagement phenomenologically. Such reflection requires an oscillation, a zig-zagging between reading and reflection. When one reads, the content of the presentation moves into the foreground. When one reflects on the form of the presentation, the content moves into the background.

Because phenomenological reflection necessitates this sort of disengagement from our direct involvement with the world, phenomenology has been slandered as the solipsistic meditation on the "contents" of an "inner space" called the mind. But this is a misunderstanding. The world does not disappear during phenomenological reduction. Indeed, *the existence of the world as the primary object of intentionality is necessary if one is to have any intentional acts to contemplate*. In phenomenological contemplation, one simply suspends one's direct, non-reflective commerce with the world and turns one's attention to the commerce itself. The world remains,

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but is contemplated *in its involvement with human consciousness.* Objects remain, but they are contemplated *as intended.*[17]

## *Identification through Empty and Filled Intentions*

Phenomenological description can be carried out on all structures and acts of intentionality, from the most basic perceptions to the most abstract logical and mathematical achievements. On all levels, however, there is a single invariant pattern. All structures and acts of intentionality involve an interplay of empty and filled intentions, or—in Heideggerian terms—of *presence* and *absence.*[18] In the following, I will use "the empty intention of X" and "X in its absence" as synonyms.

The difference between empty and filled intentions can best be appreciated through the use of examples. A filled intention of something is the thing's actual presence to the knower. To be in the presence of the Lincoln Memorial is to see it glittering above its reflecting pool, to feel its marble floor under one's feet, to press one's fingers against the surfaces of its columns, to feel the coolness of its interior, to hear one's footsteps echoing inside, to read the Gettysburg Address etched on its walls, to stand in the shadow of Lincoln's statue. To emptily intend the Lincoln Memorial is to read the previous sentence, to imagine oneself at the Memorial, to recall one's visit to the Memorial, to read a book about the Memorial, to see a picture postcard of it or to see it on television. In short, to intend something emptily is to enter into cognitive commerce with the thing in its absence. Husserl's concept of empty intention thus encompasses what is ordinarily called "background knowledge," where the term "knowledge" is used loosely, embracing the habits and capacities of the knower and experiences which have been retained unconsciously, as well as the conscious identification of things.

Knowing, in the strictest sense, is our grasp of the identities of things. There is a tendency for us to think that the identification of a thing takes places merely by making it present to us. If we want to identify the clunking under the hood of the car, we simply open the hood and make the problem present to us. Husserl, however, claims that identification is more complex. When we open the hood of the car, what will appear to us has already been intended emptily in terms of our background knowledge about cars and their problems. It is only this knowledge that will allow the problem to be recognized *as* the problem. In short, the identification of something involves the presentation of the object *in conjunction with an empty intention.* Identification takes place through the interplay of presence and absence, through the integration of the former into background knowledge.

This process is clearly at work when we get to know a person. Nobody can intuit another person's character from a single encounter. We have to observe the person speaking and acting in a number of situations, each word and deed being an expression of character, character being that which underlies, unifies, and presents itself through the manifold of words and deeds—which manifold is a

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complex play of presence and absence. Only after many occasions in the person's presence, in a wide number of contexts—interspersed with periods of empty intention through memory and fantasy—can we come to that state reserved only for close friends and lovers: an ability to anticipate uncannily the other's thoughts, words, and deeds. In short, the process of identification involves more than the sheer presence of the object. It requires an ongoing experience of the object and a distance from it, a mediating absence which allows us to return and experience recognition. In other words, identification does not take place by simple, immediate cognition, but by re-cognition. Experience and mediating absence provide the horizon, the context against and through which identification takes place.

## *The Temporal Horizon of Transcendental Subjectivity*

Just as the objects of straightforward intentions have a horizon of transcendental subjectivity, just as the identification of something takes place against the horizon of empty intentions, so transcendental subjectivity has its own horizon: time. The interplay of presence and absence is a *play,* a process which goes on "in" time. An absent side can, *in the future,* be made present. Correlatively, a present side must lapse into the absence of the past. Just as the identity of a thing cannot show up in a single presence, it cannot show up in a single (temporal) present. This temporal horizon is not the time counted off by clocks or calendars, but the kind of time that we live. It is what Husserl called "inner time consciousness" and Heidegger called "temporality."[19]

Time is essential to identification. The identification of an object is based upon retained *past* experiences of the object. These past experiences, however, are not operative until they are engaged in the object's recurring presence. This engagement can come about passively and automatically, triggered simply by the object's presence. For instance, one may be leafing through a magazine and suddenly recognize a fashion model whom one has seen before, but who was only passively intended and slid by without being clearly noticed. That first experience, however, was retained as the foundation—the empty intention in memory—for the later recognition. Or one may actively and purposively engage one's past experience in *anticipation* of a new presentation. For example, someone may suspect that his lover is cheating. He may mull the evidence over and over, retracing all the clues that have given rise to his suspicion. He may then decide that, if his lover is indeed cheating, he can catch the lover in the act at a certain time. By showing up at the proper time and either experiencing his lover cheating or not cheating, he can fulfill or cancel the anticipatory empty intentions that he has set up. Husserl held that on all levels, from the most passive to the most active anticipations, the actual moment of identification, the moment of re-cognition, is experienced as the fulfillment of *anticipations* of a future presentation. Heidegger and Gadamer develop Husserl's anticipatory structure of identification into their concept of hermeneutical "forestructures."[20]

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## *The Hermeneutical Structure of Intentionality*

Throughout his work, Husserl employs a systematically misleading terminology. He speaks constantly in terms of intentionality, givenness, direct intuition, and getting back to the things in themselves—all terms redolent with such metaphysical dualities as appearance and reality, phenomenon and noumenon, "structured, mediated" sensory awareness and "direct intellectual intuition." Given this context, it is tempting to see Husserl as a rather strange and convoluted advocate of some sort of conventional realism: intentionality is the unstructured, unmediated gazing upon a purely given object. But if one looks past the metaphysical connotations of Husserl's words and attends carefully to the details of his analysis, it becomes clear—as we have seen—that Husserl held that intentionality is a temporally articulated play of presence and absence. Intentionality is inherently active, structured, *interpretive*—and it is so all the way down to the most primitive perception. For instance, in his *Logical Investigations* and *Experience and Judgment*, Husserl claims that perceptual identifications require both empty and filled intentions knit together by anticipation and retention.[21]

That interplay is also at work in more complex and thoughtful forms of identification, such as those discussed under the rubric of "categorial" acts and intuitions. [22] Consider the phrase "apples and oranges." In this phrase, the words "apples" and "oranges" intend objects in the world. But what is intended by the word "and"? If what we find in the world can be rendered simply as "apples/oranges," then clearly we must look elsewhere to find the referent of the "and." When we do, we seem to find that the "and" refers to something "in" consciousness. Yet this is not quite right, for the referent is not *just* in consciousness. It refers to the fact that two sets of objects in the world are being *taken together* by a consciousness. In doing so, the consciousness responds to a capacity *in things* to be presenced in conjunction with one another. Husserl refers to this sort of act of presencing as a "categorial act." Categorial acts are those acts by which we selectively articulate things internally or in relation to one another.

Categorial articulation and intuition are at work in concept-formation and predication. When we gather together similar particulars under a concept, we do not simply collect images together into a mental file. Rather, we acquire an ability to allow the particulars to show up *as* members of a class. Instead of "this-here black bird," a creature now shows up as "this crow." In the case of predication, when we predicate "black" of a crow, we do not simply join two mental entities. Rather, we cause the crow to show up in a new way. We manifest the crow in its blackness. Or consider this example from Wittgenstein:

> If I give someone the order "fetch me a red flower from that meadow", how is he going to know what sort of flower to bring, as I have only given him a *word*?
>
> Now the answer one might suggest first is that he went to look for a red flower carrying a red image in his mind, and comparing it with the flowers to see which of them had the color of the image. Now there is just such a way of searching, and it is not at all essential that the image we use should be a mental one. In fact, the process

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> may be this: I carry a chart co-ordinating names and colored squares. When I hear the order "fetch me etc." I draw my finger across the chart from the word "red" to a certain square, and I go and look for a flower which has the same color as the square. *But this is not the way of searching and it isn't the usual way. We go, look about us, walk up to a flower and pick it, without comparing it to anything.*[23]

Wittgenstein's example is most valuable as a phenomenological description of interpretation, though one may disagree with the linguistic idealism into which the example is integrated. Wittgenstein's point is that the interpretation of the order does not simply consist of relating words and internal images, e.g. "red" and a red image or square on a chart. Rather, interpretation involves establishing a new relationship with, and within, the world. Against the horizon of one's intention to retrieve the red flower, the red flower simply shows up as the flower to be picked, and one picks it.

Although all intentionality is indeed interpretive, this does not, however, imply that we have no uninterpreted experiences. The perceptual field is infinitely deep and rich and is constantly replenished. We are immersed in the experience of countless things. But this experience should not be called knowledge, if knowledge is understood as the grasp of the identities of things. Most objects in the field of perception are intended in a passive and sloppy way. They simply loom up, half-glimpsed beside us, tarry along for a while, and then drop back into oblivion. They are the countless faceless strangers we pass on the street or ride with on the subway. They are the countless half-noticed cars, buildings, and trees that we pass by. The bland and routine meals that we consume. The familiar, broken-in shoes that we wear. Our wristwatches and pens and wedding rings and other items that we think of only when they are absent. The endless stream of unread posters and handbills and newspapers and billboards that creep like lichens over the surfaces of our experiences. These things have identities, but their identities do not show up to us—except, perhaps, under one rubric: the unimportant. In order to grasp the identities of the half-glimpsed entities that stream by, we must attend to them. We may simply pause and look carefully at them, or we may actively seek them out and interrogate them, but they are transformed into objects of knowledge only by some sort of selective attention and interpretation.

For normal adults, in normal situations, we hardly encounter anything that is not preinterpreted. Our day-to-day lives are lived through an enormously complex horizon of past experiences, a web of anticipations in terms of which we disclose, articulate, and grapple with everything that we encounter. And when we moderns undergo new experiences, it is usually because we contrive to do so. Hence the new experiences are prearticulated precisely as fulfilling a desire of novelty. We broaden our horizons only against the horizon that we *should* broaden our horizons—that is just "what one does." And we do so in essentially safe, prepackaged ways: educational television, guided tours which force-march us through the great museums of Europe, or simply browsing in "curiosity" shops or "novelties" departments.

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Even a seemingly simple physical activity, such as walking down a flight of stairs, takes place against a fantastically complex interpretive horizon. The staircase is disclosed as a human construction against the horizon of our experience of the difference between the natural, the spontaneously ordered, and the man-made. The staircase is disclosed as one which we must descend against the horizon of our chosen goal and the path that takes us to it. The perception of the stairs combined with our anticipation of descent immediately engages a particular element of the horizon of learned and automatized physical skills upon which we draw at all times: our ability to walk down stairs. To walk down stairs involves projecting oneself forward into time and space. It involves inducing a forward fall. Yet we do not actually fall, because we perceive, judge, and anticipate the distance between each step and control our forward momentum, maintaining our balance and co-ordination.

An example of uninterpreted experience is what happens when one encounters a last step which one does not anticipate at all, or which is higher or lower than anticipated. Suddenly one's balance and co-ordination are suspended. We pitch forward into an abyss. In the split second between the loss of balance and the automatized attempt to regain it, the substrate of uninterpreted experience wells up.[24] We can grapple with uninterpreted experience only by interpreting it. To do so, we must move back from the immediacy of the uninterpreted. This disengagement from its overwhelming presence gives us the distance or "space," the mediating absence, that is necessary to recognize what we are undergoing. This "space" is the space of reflection. We can enter into a reflective stance through the wordless equivalent of the question, "Whoa! What's going on here?" Having stepped back from the immediate presence of the uninterpreted we can then gather our resources – our background knowledge – and return to our experience. What was once cognized passively and uncomprehendingly can now be re-cognized against a horizon.

There is a temptation to give a skeptical or idealist interpretation to the fact that all intentionality is interpretive. It is claimed that the very fact that intentionality is interpretive makes it unable to grasp real objects. We must, therefore, content ourselves with internal representations. This, however, is a misunderstanding. The interpretive nature of intentionality does not impede the uncovering of the world. Quite the reverse. Interpretation is the *means by which* we uncover the world.

It is helpful to conceive of the relationship of interpretation to the interpreted object as analogous to the Aristotelian relationship between form and matter, and to the Kantian relationship between spontaneity and receptivity. The interpretive aspect of intentionality is analogous to form; it is the form in which we disclose objects. The objects themselves are analogous to the matter; they are the matter of thinking. Again, interpretation is analogous to spontaneity, and the object of thinking is analogous to receptivity. Against the idealists, one must claim that just as there is no form without matter – just as there is no form that is not the form *of* something – so there is no interpretation that is not an interpretation *of* something: the matter given through interpretation; just as there is no spontaneity

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without receptivity, so there is no interpretation without an object. This is the realist aspect of Husserl's concept of intentionality. But Husserlian intentionality is equally opposed to those naive realists who tend to claim that all there is to knowing is the matter of thought, which is simply revealed to us, and that the knower is passive and purely receptive. For just as there is no matter without form, no receptivity without spontaneity, so there is no identification without an interpretive form.

## *History*

It is commonly asserted that one of the chasms that separates Husserl's phenomenology from the work of Heidegger and Gadamer is the role of history. Husserl, it is claimed, had no place for history in his project of finding an absolutely certain Cartesian foundation. Consequently, his foray into history in the *Crisis* represents an abandonment of phenomenology. Heidegger and Gadamer, however, make history central to their hermeneutics. For Heidegger and Gadamer, all interpretation is in terms of a historical tradition, a set of inherited practices and prejudices which serve as the foundation and horizon of all understanding.

The truth, however, is much more complex. Husserl's phenomenology is the description of the acts and structures of consciousness which give us the world. Husserl's understanding of their relationship to historical events underwent three, somewhat overlapping stages of development: from a totally ahistorical approach, to a concern with the stages of cognitive development, to a concern with world history. But at no point of this development did he abandon phenomenology.

In the first stage of his career, Husserl treated the structures of intentionality as static and ahistorical givens. He treated historical events as a flux. Although the experience of historical events is the foundation for the existence of intentional acts, Husserl believed that intentional structures had a certain sort of independence from the historical world. They were not modified in any way by experience, and they possessed a certain sort of necessity that worldly objects could never achieve.

Husserl demonstrated this through a thought-experiment which he called "world-annihilation." For Husserl, a world is not a mere collection of bare, passively apprehended objects. Rather, it is an array of objects invested with meanings, a world of objects identified in and through interpretive horizons. The annihilation of a world is not, therefore, the destruction of objects, but a destruction of their meaning, an annihilation of understanding, the eruption of the uninterpreted substrate of experience. (In Heidegger's terms, this is the event of existential "death.")[25] Throughout this process of world-annihilation Husserl claimed that one thing remained stable: the structures and acts of intentionality. No matter what kind of objects are given to consciousness, consciousness grasps them in the same way. The play of presence and absence has the same temporal articulation no matter what is present and absent. Identification takes place in the same way no matter what is there to identify. The objects of consciousness may

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be radically variable, but the structures and acts of consciousness are stable, enduring, necessary. In a certain sense, therefore, they can be called *a priori*: they are that which is prior to all possible experiences. When he discusses world-annihilation, Husserl sounds the most Cartesian and idealistic.

In later works, particularly the *Cartesian Meditations*, Husserl preserves his talk of world-annihilation, but alongside it he adumbrates what he calls "genetic constitutional analysis."[26] This is the study of the way in which intentional structures develop over time through experience. Genetic phenomenology starts with accomplished intentional structures and proceeds backwards, stripping off layer after layer of developments. Husserl called this process the *Abbau*, which comes into English as "deconstruction."[27] For instance, a genetic approach would trace how the ability to form concepts and to use language is founded on the development of more fundamental cognitive structures, such as the ability to exercise selective focus – abilities formed through interaction with the world. The structures of intentionality are no longer treated as ahistorical givens, prior to all possible experience. Rather, they are treated as historically developed structures, founded on past experience but, once formed, prior to all *future* experience. External facts, however, are still treated as radically variable. Although *some* experiences of *any* particular facts are necessary for cognitive development, no particular fact is to be preferred over another. In other words, no particular fact makes any identifiable "mark" on cognitive development. We do not see the world one way because of one set of experiences and another way due to another set.

The next, decisive step for Husserl is a twofold discovery, a discovery which may indeed reflect the influence of Heidegger. First of all, Husserl widened the scope of his deconstruction from the study of the history of individual consciousnesses to the history of human thought as such. Some ways in which the world is present to us have developed over thousands of years and are preserved in and passed on through traditions. The most striking example in Western culture is the scientific way of looking at things.

Second, Husserl realized the cognitive efficacy of historical facts: With regard to structures of presentation, some facts leave their individualized marks; particular facts are not, therefore, totally accidental in relation to given and necessary structures of intentionality. Particular historical events not only aid the development of intentional structures, they also partially determine the nature of those structures. If certain inherited historical facts were changed, then the way in which we would apprehend the world would change. For instance, in the *Crisis*, Husserl deconstructs the modern scientific (and scientistic) way of perceiving the world, tracing it back to the idealization and geometrization of nature associated with Galileo. Husserl holds that this idealization must have come about on the basis of a number of historical occurences, including the invention of writing and the forgetting that geometrical concepts originated by a process of abstraction on the basis of objects in the world of everyday experience. Those who have inherited different cultural traditions – traditions without geometry or writing – have different ways of interpreting nature.

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## *The Critique of Presuppositionlessness*

Heidegger and Gadamer consistently developed Husserl's concern with history far beyond his own positions. There are two main aspects of this development. First, Husserl's historical investigations were extremely speculative. His investigations did not begin with concrete historical facts, but with mature intellectual traditions. From this starting point, Husserl speculated about what historical facts *must* have occurred to give us our present situation. Heidegger and Gadamer's work has less of an *a priori* quality.

Second, Heidegger and Gadamer turned the historical situatedness of thought into a radical critique of the Cartesian ideal of a presuppositionless starting point for philosophical reflection – one of the few Cartesian positions which Husserl did not reject. All philosophers, whether or not they are aware of it, were raised in particular historical epochs and particular cultural and intellectual traditions. These traditions, however, are not an impediment to thinking, although some may be less adequate than others. Instead, traditions are indispensable for thinking: they provide the standpoint, the background knowledge, the questions, and the tools which enable us to think – and to think beyond them. A philosopher who achieved a presuppositionless starting point would not be a more powerful thinker than one who worked in a tradition. Instead, a presuppositionless thinker would not be a thinker at all, but a *tabula rasa*; he would not have raised himself to the "vantage point" of God, but would have reduced himself to the helpless, pre-socialized state of an infant.

Husserl's critical recovery of classical realism was not a presuppositionless achievement. Husserl did not simply return to a Greek state of mind. For the Greeks there was no awareness of something called "classical realism" or the "Greek state of mind" or "intentionality." The Greeks *lived* their realism; they did not reflect upon it. In the classical age, classical realism was the kind of omnipresent, overwhelming experience that *cannot be identified at all*. The identification of such an experience can take place only if one ceases to live it, only if one takes a distance from it – only if one makes it absent. The horizon, the mediating absence against which Husserl identified what the Greeks merely lived, was the philosophical tradition – specifically the tradition from Descartes on down – in which the intentionality of consciousness had been forgotten and the givenness of the world had been called into question. It was only against the backdrop of Cartesian skepticism that Husserl could identify and appreciate what was essential to the Greek sense of realism; it was only through this historical interplay of presence and absence that Husserl could conceive – quite mistakenly – that he had come to a presuppositionless starting point.

Hermeneutics may now be more fully defined as *the phenomenological study of the temporally articulated processes by which we can identify things through and against the horizon of past experiences*. For purposes of further exposition, this can be boiled down to two principles, which I will call the "Principle of Contextualism" and the "Principle of Temporality." The Principle of Contextualism is that all under-

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standing is in terms of a horizon of background knowledge and skills. The Principle of Temporality is that all processes of interpretation involve anticipatory and retentive moments. Present actualities and future possibilities are interpreted in terms of the knowledge, categories, habits, and interests formed and deposited over our pasts—both our individual pasts and our linguistic and cultural pasts. Conversely, our understanding of our past and present states is in terms of our anticipations of future possibilities. Furthermore, we find that these horizons, and therefore the interpretations founded upon them, change constantly with the passage of time.

## II. WHAT DOES HERMENEUTICS HAVE TO OFFER TO ECONOMICS?

Before I set out the relevance of hermeneutics to economics and the other sciences, I should clarify what kind of presentation I am making. I am not arguing that scientists should adopt a new method of discovery. Hermeneutics is not set of *a priori* or transcendentally validated *prescriptions* for pursuing new knowledge. Instead, hermeneutics is a set of *descriptions* of the structures and acts by which we understand the world. I cannot argue that one *adopt* these acts and structures because they *cannot* be adopted. All of us already have them. It is our nature to understand in the way that hermeneutics describes. It is part of being human. The only alternative that we have regarding hermeneutics is to listen to its teachings or not.

John D. Caputo has called hermeneutics "the recovery of man."[28] This, I believe, states the essence of what hermeneutics has to offer to the sciences. What hermeneutics recovers humanity *from* is "objectivism."[29] Before venturing directly into how hermeneutics recovers man from objectivism, I must make a few comments about what objectivism is.

Hermeneutics raises scientific hackles because its attack on objectivism is taken to be an attack on the idea of objective reality, the discovery of which is every scientist's goal. Indeed, many thinkers who call themselves hermeneutical *are* attacking the notion of objective reality, and I think that they are wrong. In the tradition of Husserl, Heidegger, and Gadamer, however, the thrust of the hermeneutical polemic against objectivism is not directed against the idea of reality, but against certain ideas of how we should *study* reality.

In essence, objectivism is a distorted way of conceiving the world and the nature of the subject. This distorted picture is rooted in a narrow and unreflective focus on a certain category of reality. Although such distortions are present in ordinary life, the kind of objectivism attacked by hermeneutics is primarily associated with the sciences.

There are two kinds of scientific objectivism which hermeneutics attacks. The first may be called "naive" objectivism. Naive objectivism is not a set of beliefs,

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but a set of practices. It arises out of the nature of science itself. A science is a concern with some delimited realm of reality. A scientist, *qua* scientist, focuses on his or her circumscribed area of interest and discovers and describes its content. In so doing, he or she becomes an expert on insects or stars or primitive economies.

But the scientist's focus on one area of reality necessarily excludes a simultaneous focus on a number of things. For instance, he or she may be an expert at using and defining the vocabulary specific to his or her area of expertise. But he or she also uses a vocabulary which is common to all inquiries, words such as "truth," "validity," "meaning," "understanding," "and," "therefore," etc.

Chances are, the scientist uses these words automatically and unreflectively. But when asked to define them, scientists usually cannot. That is the role of phenomenologists. This is not to say that scientists cannot produce true accounts of things without the help of philosophers. Clearly, they produce such accounts all the time. It is only to say that, *qua* scientists, they cannot account for the truth of their accounts. The objective focus of scientists thus tends to prevent them from reflecting on their own knowing subjectivity and the role that it plays in their investigations.

A second sort of blindness associated with science may be called "reductionism." There is a tendency among scientists to see all of reality in terms of their own disciplines. Hence the history of scientific discoveries has a parallel history of pseudo-scientific errors and quackeries which arise from the illegitimate extension of a method and a set of categories developed to deal with one realm of reality into another, essentially different realm of reality. Examples abound: animisms and anthropomorphisms, reductionist materialisms and behaviorisms, social Darwinism, sociobiology, evolutionary epistemology, the clumsier attempts to construct artificial intelligence, the reduction of human action to self-interest, the reduction of the economic to the political, the reduction of the political to the economic, the reduction of criminal law to tort law, and the reduction of marriage and blood relationships to economic contracts and trade are but a few examples.[30]

This kind of error is endemic to any specialized perspective. Once one enters into such a perspective, it is difficult to appreciate the fact that there are other realms with distinctive kinds of Being and appropriate methods for studying them. The focus on one part of reality thus tends to occlude the whole of reality, thus obscuring an appreciation of the place of one's part in the whole.

This naive objectivism takes on a more sophisticated form when it is articulated by scientifically minded philosophers or philosophically minded scientists. The outward-directed and specialized focus of scientific practice become the *canons*, the *prescriptions* of scientific method.

The essence of sophisticated methodological objectivism is the idea that *the acts of the subject impede and obscure the discovery of the object*. Thus any discussion of the structures and activities of the subject—of the "theory-ladenness" of perception, the historical context of understanding, the role of background knowledge

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and tradition in interpretation, etc. – is taken to be an attack on the very possibility of objective knowledge. For the scientist has been convinced that, to be objective, he must occlude, exclude, or evacuate his own subjectivity. He must turn himself into a pure spectator, with no nature other than receptivity, no activity other than seeking the presence of the truth and passively absorbing it.

Methodological objectivism in the human sciences has given rise to the pernicious and profoundly unscientific attitude which Hayek has called "scientism."[31] There have been two routes to this terminus. First, the methodological objectivist, having occluded the role of his own subjectivity in the study of reality, tends to do the same with the reality that he studies. This is not a problem if he studies stars and subatomic particles, but it is a disaster when he tries to study *humans*. Second, the methodological objectivist, by proscribing a reflective stance toward science, also excludes the possibility of overcoming the partiality endemic to specialized disciplines. This partiality can be overcome only by disengaging oneself from one's own realm of interest and appreciating it in relation to other realms of reality. Because physics has been the dominant paradigm of modern science since the scientific revolution, the proscription against disengagement and reflection has led naturally to the tendency to see all realms of reality, including human reality, in terms of physics.

Methodological objectivism not only erases the human sciences, it tends also to erase the humanity of the scientist. The ancients considered scientific knowing to be an act and a perfection of the individual. Science constituted an *ethos*, a way of Being which was both integrated into the rhythms of everyday life and encompassed by a systematic vision of the cosmos and man's relationship to it. It is no accident that the greatest Greek philosophers were scientists as well.

Today, however, methodological objectivism has given rise to the depersonalization and professionalization of the sciences. Not only have the sciences become oblivious to their widest ontological and subjective contexts, they have become divorced from the textures of individual life. Increasingly, they become mere jobs, not careers – vast, anonymous collective enterprises, rather than passionate individual crusades – mere technique, rather than occasions for insight – a set of infinite repetitive and mechanical tasks into which the soul can be dissipated. As Robert Sokolowski writes:

> The growth of science is inevitable, even while the agents of its growth may fear that they are swept along in a process bent on eliminating them as men. Traditionally we have pitied the miser who loses his self in unlimited hoarding of money, the *roué* dissipated in wanting pleasure, and the tyrant emptied for political power; but in our age these tragic figures find their analogy in a new form: the man of science who has lost his self in the search for and possession of truth – a fate that would have sounded contradictory to the Greek philosophers.[32]

To cure the malaise of naive objectivism, hermeneutics does not evoke Husserl's exhortation "To the things themselves!" Instead, it evokes the Socratic exhortation "Know thyself!" Hermeneutics – and phenomenology more

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broadly—recover man from objectivism in four ways. All of these ways center around *a turn toward subjectivity*. But again, this turn is not a turn "inward" to a warm and fuzzy solipsistic wallow but toward *transcendental* subjectivity, that subjectivity which relates to the transcendent—to the objective world.

The first way in which phenomenology recovers humanity is by providing a path toward a twofold reflection on the nature of science. On the one hand, it allows us to disengage ourselves from our absorption in the objects of our particular inquiries. By enabling us to distance ourselves from these objects, phenomenology lets us appreciate their place in the whole of reality. On the other hand, phenomenology enables us to see science as a human activity—an activity of the transcendental subject. Transcendental subjectivity, in all of its acts and structures, is disclosed as the horizon or context for the understanding of reality in all of its modes and kinds.

Thus, for example, phenomenology gives the economist the perspective from which to appreciate fully and consciously the fact that economics is not physics and that the study of sexual behavior is not economics. Virtually every economist has noticed hidden, unconsciously adopted factual assumptions in the works of other economists. Under the influence of hermeneutics, scientists and humanists have become more aware not only of unconscious *factual* assumptions, but also of the unconscious *interpretive activities* that they bring with them to their studies. And with this knowledge has come a greater amount of control over previously hidden prejudices and invisible practices. Although hermeneutics has not done much to recommend specific additions to the actual practice of any particular science, it has given scientists the reflective and self-critical tools to examine and adjust their practices to accord better with their subject matter. In short, the spread of hermeneutics has made possible an advance in scientific *rationality*. (Whether or not this possibility has been actualized is another question altogether.)

The second way in which hermeneutics recovers humanity is by providing a philosophical critique of conscious methodological objectivism. In offering this critique, hermeneutics, while not being a scientific method as such, does both clear the ground for new methodological speculations and furnish numerous insights for such a project. Thus the consistent application of hermeneutical insights will not allow current scientific methods to remain unchallenged and unchanged.

Third, phenomenological reflection is a first step toward the *personal* liberation of scientists from self-evacuation into the anonymous, collective tasks required by the ideal of methodological objectivism. The structures and acts of transcendental subjectivity are common to all people, but they are instantiated in each. As Heidegger repeats constantly throughout *Being and Time*, *Dasein* has within it the possibility of radical individuation. Although it may dissolve itself in the second-hand world of public opinion, or it may empty itself in the pursuit of a spurious objectivity, it nonetheless can be self-consciously appropriated, it can be owned.[33] In giving us access to the realm of subjectivity as such, phenomenology gives us access to *our own* subjectivity. It opens up the possibility of restoring the personal side of knowledge.

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Finally, in the human sciences, hermeneutics is a recovery of man from scientism. Hermeneutics is not only a description of the methods of the sciences, it is a more general description of man's nature as an interpreting being. Such descriptions should be of great interest to those in the human sciences who believe that they must begin with true assumptions about human nature.

At this point, it is too soon to claim that the application of hermeneutical insights in economics will change the structure of economic theory in any considerable way. Hermeneutics has, however, deepened our understanding of existing economic principles. For example, Richard Ebeling's writings on the price system and Don Lavoie's reflections on accounting do not so much revise the formal principles of economics as deepen them by lighting up their interpretive dimensions.[34]

The way in which hermeneutical insights can add new dimensions to existing economic princples can be appreciated by examining Israel Kirzner's pathbreaking work in the theory of entrepreneurship.[35] Kirzner's work, although a vast improvement over objectivistic approaches which do not even allow the theoretical possibility for entrepreneurship, nevertheless contains objectivistic elements. Consider, for example, Kirzner's treatment of two of his central concepts: opportunity and alertness:

> Misesian theory of human action conceives of the individual as having his eyes and ears open to opportunities that are "just around the corner." He is alert, waiting, continually receptive to something that may turn up. And when the prevailing price does not clear the market, market participants realize they should revise their estimation of prices bid or asked in order to avoid repeated disappointment. This alertness is the entrepreneurial element in human action. . . .[36]

In this passage, Kirzner clearly treats entrepreneurial opportunities simply as objective states of affairs waiting to be discovered. Kirzner does account for the differing successes of entrepreneurs in discovering opportunities in terms of subjectivity. But the subjective concept which he employs is "alertness," which bears many similarities to the methodological objectivist's conception of the role of a scientist's subjectivity. Kirzner's alertness is an essentially passive, mirror-like apprehension of opportunities, hence the centrality of the metaphor of "perception" in Kirzner's work. Kirzner does treat discovery as an active process, but it is an active process of directing an essentually passive cognitive faculty which simply "sees" opportunities.

A hermeneutical approach to entrepreneurial discovery would stress a more active role for the subject. Entrepreneurial opportunities are not just "out there" waiting to be "seen" by the most alert entrepreneur. To be sure, there are objective states of affairs. But one can better account for the relationship between objective states of affairs and entrepreneurial opportunities, and for the differing successes of entrepreneurs, in terms of background knowledge and active processes of interpretation. The same objective state of affairs can be attended to carefully by two different entrepreneurs. But it may be an opportunity to one and a waste of

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time to another. What explains the difference is not the degree of alertness, but the presence of the background knowledge and interpretive habits of thought necessary to let the objective state of affairs manifest itself as an opportunity.

This hermeneutical approach also heightens the radical individuality of entrepreneurs and the uniqueness of their exploits. Variations in success are not explained in terms of mere differences in alertness, which has the quality of a homogenous factor which differs from person to person merely in amount. Instead, variations in success are based on variations in an uncountable array of factors: background knowledge, habits of thought, moral virtues and vices, an infinity of cultural factors, and the presence of certain plans and expectations for the future in terms of which present states of affairs are disclosed, etc.[37]

It will immediately be objected by sympathetic critics that most of the benefits of a hermeneutical approach to the human sciences have already been anticipated by members of the Austrian school of economics—including a number of vociferous opponents of hermeneutics. If this is the case, runs the objection, then who needs hermeneutics? What does it have to offer over standard Austrian opinion?

In answer to this objection, I can only reiterate what I wrote at the beginning of this section. Hermeneutics is not a new *method* that one has the option of adopting or not. Hermeneutics, instead, is a set of descriptions of how people actually understand the world. One can no more adopt hermeneutics—or cast it off—than one can adopt or cast off another part of one's humanity. The truth of hermeneutics is affirmed in every act of human subjectivity—including those acts by which hermeneutics is misunderstood, misrepresented, and attacked. The fact that some insights of phenomenological hermeneutics are shared by prominent Austrian economists simply proves that Austrian economists have been speaking hermeneutics all along without even knowing it. The choice regarding hermeneutics, then, is not whether to adopt it or not, but whether to appropriate its teachings self-consciously—to follow the Socratic exhortation "Know thyself!"—or to bury our nature as interpreting beings in silence.

## III. IS HERMENEUTICS RELATIVISTIC?

The chief objection to hermeneutics is that, in rejecting objectivism, it leads necessarily to relativism. I will not deny that hermeneutics has led many to relativism. I will, however, deny that hermeneutics *necessarily* leads to relativism. Furthermore, I will affirm that hermeneutics, properly understood, is the only way to avoid a truly pernicious sort of relativism.

Most modern forms of relativism depend upon the notion of a conceptual scheme. This type of relativism arises from the following sort of argument. There is no pure, unmediated perception of objects. All objects are perceived in terms of our mode of perception and discussed in terms of our modes of conception. Since it is meaningless to talk about facts as they are independent of the way we

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perceive and talk about them, the notion of an objective fact is simply meaningless. All facts are mere arti-facts of our conceptual frameworks. Verification of our frameworks could take place only by stepping outside of our frameworks, which is impossible, or by moving into another conceptual framework, which itself can be criticized only in terms of another framework, ad infinitum. Since verification of a framework is impossible – requiring either an infinite regress or an unmediated, diaphanous form of knowledge – objectivity is impossible.

In turn, the most common argument against relativism is that it is self-refuting.[38] The anti-relativist, in effect, demands that the relativist verify the truth of relativism by presenting the objective facts on which the relativist thesis depends. If any relativist tries this, the anti-relativist pounces: "Aha! You've refuted yourself by trying to validate objectively the thesis that objective validation is impossible." Yet if the relativist spurns the demands of the anti-relativist, the anti-relativist can dismiss the relaitivist thesis as arbitrary because not validated objectively.

Although I am a realist of sorts, I am not bowled over by this argument. (I have nothing against self-refutation arguments *per se*.) The self-refutation argument may be useful for knocking some sense into what Donald McCloskey has amusingly called "Valley Girl" solipsists.[39] But the anti-relativist wields his self-refutation argument with a knowing smirk, clearly under the impression that he has constructed an insoluble dilemma that can dispatch even serious thinkers like Richard Rorty. From my perspective, he is merely playing a game of "Heads I win, tails you lose."

First of all, his approach is question-begging, because it demands the very sort of objective validation that is at issue. Second, it is trivial, because even if does prove that relativism cannot be objectively validated, the true relativist would be the first to agree. The true relativist thinks that his thesis has a lot more interesting things to recommend it than "mere" objective truth. Third, the self-refutation argument is recalcitrant, closed-minded, and sometimes disingenuous. It is offered almost reflexively and usually fearfully. It is premised on treating the relativist as participating in a radically incommensurable paradigm. The relativist is then asked to do what he considers to be impossible: to transcend his own context in order to convince his opponent. In fact, however, both relativists and anti-relativists participate in largely the same context. As members of Western civilization and participants in the great cultural project of philosophy, they are in complete agreement on virtually every important matter. Given this *shared context*, the serious relativist argues that its nature is best accounted for by a form of relativism. He does not claim that relativism is true *for me* and need not be true *for you*. Instead, he claims that it is true *for all of us* – for our *shared* conceptual framework. Fourth, the self-refutation argument is only ultimately empty and negative, because even if it is true it proves only that relativism cannot be true. It does not prove that any particular anti-relativist position is true, nor does it provide any content for such a position.

Thus even if the negative argument against relativism can be made sound, it is doomed to be ignored because most anti-relativists have no plausible positive

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doctrines to offer as an alternative to relativism. They are conspicuously silent about some of the most interesting questions of philosophy, such as the nature of understanding and perceptual relativity. These issues are, however, dealt with persuasively by various relativist thinkers. *As* a realist, I much prefer reading the works of avowed relativists to those of naive realists. The naive realists merely have the right conclusions; the relativists have far more interesting premises. Given the vacuity of most realisms, it is no surprise that relativists consider them to be *merely logical* and not particularly *deep*.[40]

Fortunately, as I will soon show, there are more interesting ways to oppose relativism.

The main reason that hermeneutics is accused of relativism is the Principle of Contextualism. The argument runs as follows. If one has to understand something in terms of a background, then, by that very fact, what one understands becomes merely a creature of that background. It becomes merely relative knowledge. If we are to have absolute and objective knowledge, then we must dispense with interpretation. We must have principles that can be intelligible on their own terms, principles which simply zap us with diaphanous beams of intelligibility. I will dub this the "Principle of Self-Interpretation."[41]

I will defend the Principle of Contextualism indirectly, by examining the anti-hermeneutical Principle of Self-Interpretation. Presumably the anti-hermeneutical philosopher regards this principle as an absolute. Therefore, we can conclude that it does not depend upon a context for its intelligibility. It is intelligible on its own terms. It is itself self-interpreting. If, however, it can be shown that this principle itself depends upon an unspoken context to be understood, then it can be shown – for what it is worth – that the Principle of Self-Interpretation is *unassertable on its own terms*. If it is true, then it need not and cannot be interpreted. If it can and must be interpreted, then it is not true. This process of explication will serve as an occasion to set out a better and more fruitful argument against relativism.

The first question that comes to mind is: How can I tell whether or not the Principle of Self-Interpretation needs to be interpreted? If I were simply to ask the opponents of hermeneutics, I'm sure that they would scoff and reply that it is intuitively obvious. How would I be able to show that they have not been directly illuminated by this principle? How could I dismiss the possibility that its truth and meaning simply blaze forth in a ray of direct awareness and that its utter incomprehensibility to me is simply the fault of my own slightly clouded or cracked mirror of nature?

As far as I can tell, there is no way of deciding this question. Without the use of interpretation, the intuitions of anti-hermeneutical thinkers remain as inscrutable, incomprehensible, and inaccessible to me as the Kantian "thing in itself." Since I know that I am incapable of transcending my own finite means of understanding simply to intuit the Principle of Self-Interpretation, I will have to muddle through by offering my own context-bound interpretation.

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Before I begin my interpretation, I beg the reader to ask himself whether the meaning of the Principle of Self-Interpretation is transparently clear to him. I request also that, at the end of my interpretation, he ask himself if I have succeeded in clarifying the principle. If the Principle of Self-Interpretation can and must be interpreted to be understood, then we can assume that it is false. If I cannot offer an interpretation any more illuminating than it is on its own terms, then this will count as evidence for its truth.

My critique of the Principle of Self-Interpretation is based on a powerful identification made by David Kelley in his *The Evidence of the Senses*. Kelley, as the foremost serious interpreter of Ayn Rand, can hardly be accused of being soft on relativism, yet I belief that his work yields a sound defense of hermeneutical philosophy against its absolutist opponents—*and* against its relativist proponents.

In chapter 1 of *The Evidence of the Senses*, "The Primacy of Existence," Kelley identifies a certain conception of consciousness which he dubs the "diaphanous model." The diaphanous model is actually a criterion of cognitive efficacy. As Kelley explicates it, the diaphanous model:

> has been common currency among competing theories in epistemology. . . . *[It holds] that if consciousness has an identity of its own, it cannot grasp the identities of things external to it*. Idealists have affirmed the antecedent, hence the consequent; realists have denied the consequent, hence the antecedent. To preserve the primacy of existence [the objectivity of reality], realists have traditionally resisted the facts of perceptual relativity [which indicate that the way that things appear is partly dependent upon our perceptual apparatus]. At the conceptual level, they have insisted that our classificatory hierarchies of species and genera must reflect an external hierarchy in the nature of things. And although they maintain that objects exist and are what they are independently of us, realists have refused to apply this truth to consciousness by granting it an identity. Idealists take the failure of this approach as proof of the primacy of consciousness, maintaining that consciousness creates its own contents.[42]

In the philosophical tradition, both realism and idealism have ostensibly been opposites. Rand, however, uncovered an identity that underlies this opposition. Both realists and idealists hold that *if consciousness has identity, then it cannot be consciousness of reality*. The only differences between realism and idealism, then, are their respective positions on each half of the diaphanous criterion. The realists affirm the primacy of existence and therefore deny the identity of consciousness. The idealists affirm the identity of consciousness and therefore deny the primacy of existence.

Kelley and Rand, however, move beyond both realism and idealism by rejecting the diaphanous criterion at the root of the two.[43] This *explicit* rejection of the diaphanous criterion is an important contribution to philosophy. Although Husserl, Heidegger, Gadamer, and Aquinas have also rejected it in the substance of their teachings, they did not do it quite so explicitly.

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Kelley presents the non-diaphanous view that consciousness has identity as follows: "Consciousness is not metaphysically active; it does not create its own objects; it is a faculty of identifying what exists. But consciousness itself exists. It is a faculty that is possessed by living organisms, with a specific, determinate nature like any of their other biological systems."[44] As Rand put it:

> Objectivity begins with the realization that man (including his every attribute and faculty, including his consciousness) is an entity of a specific nature who must act accordingly; that there is no escape from the law of identity. . . . All knowledge *is* processed knowledge—whether on the sensory, perceptual, or conceptual level. An "unprocessed" knowledge would be a knowledge acquired without means of cognition. Consciousness . . . is not a passive state but an active process. And more: the satisfaction of every need of a living organism requires an act of *processing* by that organism, be it the need of air, of food, or of knowledge.[45]

The diaphanous criterion, in holding that the identity of consciousness disqualifies consciousness from knowing reality, "holds, in effect, that because consciousness is something, it can be conscious of nothing."[46] By incorporating the diaphanous criterion, traditional forms of realism (including Aristotle's) contained an Achilles heel that was exploited by Kant. In essence, Kant's idealism accepts the diaphanous criterion and then points out that all knowledge is gained by a specific, determinate, finite means of knowing; therefore, we cannot know things in themselves. Rand offers a witty parody of Kant's line of thinking:

> [Kant's] argument, in essence, ran as follows: man is *limited* to a consciousness of a specific nature, which perceives by specific means and no others; therefore, his consciousness is not valid; man is blind, because he has eyes—deaf, because he has ears—deluded, because he has a mind—and the things he perceives do not exist, *because* he perceives them.[47]

Having dismissed the diaphanous model of perception in favor of a model of perception as achieved by a finite, determinate knower, Kelley then offers an account of the troubling phenomenon of perceptual relativity. "Perceptual relativity" refers to the fact that the way in which perceptual objects appear is in part dependent upon our sense organs. For instance, milk tastes different after we have eaten cranberries. When we are sick, some foods lose their taste altogether. When we are depressed, things actually *look* miserable and gray.

Traditionally, perceptual relativity has been interpreted as evidence that we do not perceive things themselves, but only objects that are somehow created by our sense organs, thus taking on their particular dispositions. Kelley, however, copes with perceptual relativity in a way that is consistent with common sense. He introduces a distinction between perceptual *form* and perceptual *content*. Perceptual relativity is based on the fact that knowing is an activity of a finite, determinate organism. The *form* of our perception, therefore, *is* relative to our particular faculties and their changing states. But the *content* of our perceptions is not relative.

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The content of perception is that which remains invariant in, and is presented *through* our shifting (or fixed) forms of perception. The demand that we perceive with no perceptual form at all is the demand for diaphanous perception—perception without a means of perception—Extra-Sensory Perception.[48]

I contend that the Principle of Self-Interpretation is best understood as the interpretive analogue of the diaphanous model of consciousness. Furthermore, I contend that the relativity of understanding to our contexts of knowledge is analogous to the relativity of perceptual appearances to our sense organs. Finally, I contend that the Principle of Self-Interpretation is common to both the absolutists who oppose hermeneutics *and* to those relativists who embrace it. Both sides hold that, *if we are to understand things as they are, then we must understand them without any particular means of interpretation*. They simply must interpret themselves to us. Conversely, if we employ a means of interpretation, *then we cannot understand things as they really are*.

Most relativists claim that, because we *do* interpret things in terms of our background knowledge, we cannot, therefore, understand them as they really are. The absolutists point out that this position is itself a claim about how things really are, and that, therefore, the assertion of relativism is incompatible with its own truth. On the grounds that relativism is self-refuting, the absolutists conclude that their own position is true. If understanding is contextual and contextualism is relativistic, the absolutists conclude that the Principle of Self-Interpretation simply must be true. Things must be able to interpret themselves for us. They must simply beam their intelligibility into any mind that is pure and open (and honest) enough to receive such illumination. In short, the absolutist retreats from relativism by dispensing with any means of understanding and advocating instead what amounts to a form of causeless, mystical illumination. It is the interpretive analogue of Extra-Sensory Perception: Extra-Contextual Interpretation.

Like Kelley and Rand in the realm of perception, the hermeneutical philosopher does not take sides in this debate. Instead, he identifies the premise that unites and founds the two opposites: the diaphanous criterion of interpretation. By rejecting this criterion, he overthrows the whole debate and moves beyond both objectivism and relativism. The hermeneutical philosopher affirms the fact that we understand by a specific, determinate means and in terms of a specific, determinate context. But he further affirms that these means are *intentional*. That is to say, they do not *create* the object of understanding. Instead, they *present* it in a new and more complex way. They are the *form* of understanding rather than the *content*. Interpretation is not an impediment to understanding reality. It is the only means that we have for understanding it.

If the foregoing interpretation of the assumptions and concerns underlying the Principle of Self-Interpretation has been illuminating, then we may safely dispense with the principle itself. All interpretation *is* in fact contextual, contrary claims of illumination being vacuous. But contextualism is no more an impediment to understanding than having eyes is an impediment to seeing.

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If all interpretation is indeed contextual, and if contextualism does not bury reality in relativism, then a question immediately comes to mind: Who is really more relativistic: the contextualist who is aware of the role of background knowledge in his understanding of reality – or the absolutist, who blinds himself to his own assumptions because he buries their existence in favor of his "intuitions"? If the choice before us is not whether to interpret or not, but only whether to do so self-consciously or not, then it is clear that those who deny the inevitability of interpretation will be unaware of the interpretive context and activities at work in their own minds. Their own thinking will be clouded by unglimpsed assumptions and unchecked habits of thought. Their own conclusions will tend to be relativistic in the pernicious sense: mere creatures or confessions of an interpretive context that has not been critically appropriated. As Ludwig von Mises put this point with reference to historians:

> Their pretension to investigate reality without any reference to what they disparage as preconceived ideas is vain. In fact, they unwittingly apply popular doctrines long since unmasked as fallacious and contradictory.[49]

An exhaustive self-clarity is too much to ask in this post-Heideggerian, post-Freudian age of phenomenological and psychological sophistication. Even if this clarity were attainable, one wonders what would motivate such an enormous Proustian undertaking, especially if we abandon the diaphanous criterion of consciousness. But it is clear that the ideal of presuppositionless self-transparency at the heart of naive objectivism is approximated *as closely as possible* by the self-reflective, self-aware hermeneutician, not by the absolutist who, in the pursuit of objectivity, ignores his own subjectivity – apparently in the hope that it will just go away.

## IV. IS HERMENEUTICS HISTORICIST?

The charge that hermeneutics is historicist deserves an essay of its own. Understanding this accusation, its provocations, and its motivations involves teasing apart a Gordian knot of subtly different but closely related metaphysical, epistemological, and methodological issues, such as the nature of the *a priori*, the relationship of the *a priori* to the apodictic, the different kinds of knowledge conflated in the concept of the *a priori*, the Husserlian distinction between the apodictic and the adequate, the different meanings of historicism, the relationship of *a posteriori* knowledge to apodicticity, the difference between understanding and justification, and the relationship between theory and history. The problems are compounded by the fact that "historicism" and "nihilism" are too often hurled around like playground epithets with no discernable precision of thought behind their usage.

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Rather than setting foot on this quaking conceptual bog, I will simply offer two brief observations which I hope will point the debate in more constructive directions.

First, philosophers and Austrian economists do not necessarily mean the same thing when they speak of historicism. In Austrian economics, historicism arises in connection with the question of the relationship of theory and history, which was the central question of the nineteenth-century *Methodenstreit* that raged between the Austrian school and the German Historical School of economics. Thus, in *Theory and History*, Mises defined historicism as follows:

> The fundamental thesis of historicism is the proposition that, apart from the natural sciences, mathematics, and logic, there is no knowledge but that provided by history. There is no regularity in the concatenation and sequence of phenomena and events in the sphere of human action. Consequently the attempts to develop a science of economics and to discover economics laws are vain.[50]

If this is all there is to historicism, then it is hard to see why the word is being attached to hermeneutics at all. To my knowledge, no hermeneutically oriented Austrian economist has ever claimed that there is no economic order. Even those who deny that "equilibrium" is a proper model for economic order do not deny that Paris gets fed. The criticism of such a model of economic order amounts to a criticism of the reality of economic order *only to those who fail to differentiate between models and reality*, between theory and history.

In philosophy, historicism is a much less vacuous and far more radical concept. Philosophical historicism is relativism relativized, relativism to the second power. Once one concludes that objects are relative to our conceptual schemes, the next question is: Are our conceptual schemes absolute, or are they themselves relative to something else? The most common answer to this question is: Yes, our conceptual schemes are relative to time.

Philosophical historicism not only takes relativism to another power, it multiplies its evils as well. Even if one holds that reality is relative to our conceptual schemes, one can maintain a sort of sham objectivity by claiming that our conceptual scheme is fixed and, therefore, we can have a common "intersubjective" measure to adjudicate disagreements. Historicism denies the fixity of conceptual frameworks, hence the possibility of a common measure, hence the possibility of intersubjective agreement, hence the possibility of harmony between men. Or so the classic argument runs.

If this is an accurate portrayal of historicism, then the next question is: Does this apply to hermeneutics? Although some advocates of hermeneutics would probably claim that it does, I disagree. Hermeneutics does not lead to historicism because historicism is based on relativism, and, as I showed in the last section, hermeneutics does not necessitate relativism.

* * *

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The purpose of this essay has been twofold. First, I have exhorted students of the human sciences to recover humanity—the humanity of the human sciences and the humanity of the human scientist—by exploring a more hermeneutical approach. Second, I have tried to assuage the understandable concerns about relativism and historicism that stand in the way of exploring hermeneutics. These goals cannot, however, be accomplished solely within the context of an essay, which is but a single voice frozen in the printed word. They can be accomplished only with the aid of honest and careful readers who can bring this voice to life, who will seek out original sources, and who will create and participate in a critical dialogue—all processes which themselves will offer ample instantiations of hermeneutical truths.

NOTES

1. See David Gordon, "Hermeneutics versus Austrian Economics" (Auburn, Al.: Ludwig von Mises Institute, 1986) and "Review of Gary B. Madison, *Understanding: A Phenomenological-Pragmatic Analysis*," *Review of Austrian Economics* 4 (1990): 215–21; Murray N. Rothbard, "The Hermeneutical Invasion of Philosophy and Economics," *Review of Austrian Economics* 3 (1988): 45–59; Sven Thommesen, John McCallie, and Dipesh Shah, "Hermeneutics: A Conference Report," *Austrian Economics Newsletter* (Fall 1986): 5–8; Hans Albert, "Hermeneutics and Economics: A Criticism of Hermeneutical Thinking in the Social Sciences," *Kyklos* 41 (1988): 573–602; and Hans-Hermann Hoppe, "In Defense of Extreme Rationalism: Thoughts on Donald McCloskey's *The Rhetoric of Economics*," *Review of Austrian Economics* 3 (1989): 179–214. For the strongest, most sympathetic and reasonable statement of virtually every interpretation of phenomenology and hermeneutics with which I disagree, see Thelma Z. Lavine, "The Interpretive Turn from Kant to Derrida: A Critique," in *History and Anti-History in Philosophy*, ed. Thelma Z. Lavine and Victorino Tejera (Boston: Kluwer, 1989).
2. See Don Lavoie, "Euclideanism versus Hermeneutics: A Reinterpretation of Misesian Apriorism," in *Subjectivism, Intelligibility and Economic Understanding*, ed. Israel M. Kirzner (New York: New York University Press, 1986); "The Accounting of Interpretations and the Interpretation of Accounts," *Accounting, Organizations, and Society* 12 (1987): 579–604; "Understanding Differently: Hermeneutics and the Spontaneous Order of Communicative Processes," unpublished ms.; "Hermeneutics, Subjectivity, and the Lester/Machlup Debate: Toward a More Anthropological Approach to Empirical Economics," unpublished ms.; "The Interpretive Dimension of Economics: Science, Hermeneutics, and Praxeology," Center for the Study of Market Processes Working Paper No. 15; and "Introduction: Hermeneutics and Economics," in *Economics and Hermeneutics*, ed. Don Lavoie (London: Routledge and Kegan Paul, forthcoming). When it appears, Lavoie's anthology will be the most

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substantial collection of essays applying various strains of hermeneutics to various schools of economics.

See also Richard Ebeling, "Toward a Hermeneutical Economics: Expectations, Prices, and the Role of Interpretation in a Theory of the Market Process," in *Subjectivism, Intelligibility and Economic Understanding*; "Hermeneutics and the Interpretive Element in the Analysis of the Market Process," Center for the Study of Market Processes Working Paper No. 16; and "What is a Price? Explanation and Understanding (With Apologies to Paul Ricoeur)," in Lavoie, ed., *Economics and Hermeneutics*.

Ebeling's approach seems to have been shaped less by Gadamer than by Ricoeur, whose works I do not know. Ebeling has also been influenced strongly by one of Mises's students, Alfred Schutz, whose *The Phenomenology of the Social World*, trans. George Walsh and Frederick Lehnert (Evanston: Northwestern University Press, 1967), is perhaps the most influential single work in phenomenological social science. On Schutz, see Ebeling's "Cooperation in Anonymity," *Critical Review* 1, no. 4 (Fall 1987): 50–61.

See also Tom G. Palmer, "Gadamer's Hermeneutics and Social Theory," *Critical Review* 1, no. 3 (Summer 1987): 91–108; G.B. Madison, "Hayek and the Interpretive Turn," *Critical Review* 3, no. 2 (Spring 1989): 169–85; Ludwig M. Lachmann, "Austrian Economics as a Hermeneutic Approach," in Lavoie, ed., *Economics and Hermeneutics*; and Ralph Rector, "Interpretation, Human Agency and Economics: A Report on the Recent C.S.M.P. Conference," *Market Process* 6, no. 2 (Fall 1986): 14–18, 30, and "The Economics of Rationality and the Rationality of Economics" in Lavoie, ed., *Economics and Hermeneutics*.

3. Hans-Hermann Hoppe, "On Praxeology and the Praxeological Foundations of Epistemology and Ethics," in *The Meaning of Mises*, unpub. ms.; and *Praxeology and Economic Science* (Auburn, Al.: Ludwig von Mises Institute, 1988).

See also Murray N. Rothbard, *Individualism and the Philosophy of the Social Sciences* (San Francisco: Cato Institute, 1979); "Preface" to Ludwig von Mises, *Theory and History: An Interpretation of Social and Economic Evolution* (Auburn, Al.: Ludwig von Mises Institute, 1985); and "Praxeology: The Methodology of Austrian Economics," in *Foundations of Modern Austrian Economics*, ed. Edwin G. Dolan (Kansas City: Sheed & Ward, 1976).

4. I am indebted to Richard Rorty's analysis of the importance of pragmatism as a form of post-modern philosophy. His glib and curmudgeonly deconstructions are fascinating, although I cannot agree with what he erects upon the ruins. His misinterpretation of Gadamer is deplorable. Madison's work, in my opinion, does not add much to Rorty's. It is in many ways more interesting, however, because of Madison's political agenda and his clear and stylish writing. I find Derrida's work to be endlessly provocative, fascinating, and funny, but I have never been able to figure out his agenda.

My quarrel with Rorty and Madison is that they seem committed to a

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sterile form of relativism. Perhaps, however, this is merely an illusion of perspective. Rorty and Madison attack the "True," the "Good," and the "Objective" with a great deal of sardonic verve and flair. If all that they are jousting against is naive Platonism, then I have less of a problem with them. The only truth, reality, and objectivity that I am interested in are the kinds that are attainable on earth. As followers of Gadamer (to varying degrees), perhaps Rorty and Madison should be more concerned with achieving a fusion of horizons with their audience than scandalizing them by putting scare quotes around such words as truth and reality. I think that Rorty and Madison would be pleasantly surprised if they followed such a policy. They might discover that most people have a far more reasonable concept of reason, a far more objective concept of objectivity, and a far more realistic concept of reality than they are given credit for.

See Richard Rorty, *Philosophy and the Mirror of Nature* (Princeton: Princeton University Press, 1979), esp. part 3; and *Consequences of Pragmatism: Essays 1972–1980* (Minneapolis: University of Minnesota Press, 1982), esp. "The World Well Lost," "Overcoming the Tradition: Heidegger and Dewey," "Dewey's Metaphysics," and "Pragmatism, Relativism, and Irrationalism"; and *Contingency, Irony, and Solidarity* (Cambridge: Cambridge University Press, 1989). See also G.B. Madison, *Understanding: A Phenomenological Pragmatic Analysis* (Westport, Conn.: Greenwood Press, 1982); *The Hermeneutics of Postmodernity: Figures and Themes* (Bloomington: Indiana University Press, 1988); "Hermeneutical Integrity: A Guide for the Perplexed," *Market Process* 6, no. 1 (Spring 1988): 2–8; and "Getting Beyond Objectivism: The Philosophical Hermeneutics of Gadamer and Ricoeur," in Lavoie, ed., *Economics and Hermeneutics*. Other works in this general camp include Richard J. Bernstein, *Beyond Objectivism and Relativism: Science, Hermeneutics, and Praxis* (Philadelphia: University of Pennsylvania Press, 1983) and Sandra B. Rosenthal, *Speculative Pragmatism* (Amherst, Mass.: University of Massachusetts Press, 1986); "Scientific Method and the Return to Foundations: Pragmatism and Heidegger," *The Journal of Speculative Philosophy* 2 (1988): 192–205; and "Pragmatism, Heidegger, and the Context of Naturalism," *The Journal of Speculative Philosophy* 4 (1990): 1–12. If Rosenthal's presentation of pragmatism is accurate, then the difference between pragmatism and my version of phenomenology is a difference that does not make any difference.

The finest book dealing with deconstruction that I have encountered is John D. Caputo's *Radical Hermeneutics: Repetition, Deconstruction, and the Hermeneutic Project* (Bloomington: Indiana University Press, 1987). Another highly recommended secondary source on Derrida is Rodolphe Gasché, *The Tain of the Mirror: Derrida and the Philosophy of Reflection* (Cambridge, Mass.: Harvard University Press, 1986). A very plausible account of Derrida's agenda is provided by Richard J. Bernstein, "Serious Play: The Ethical-Political Horizon of Jacques Derrida," *The Journal of Speculative Philosophy* 1 (1987): 93–117. Derrida has adopted a more sober style of writing in recent

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works out of concern with the vehement denunciations that he has received from Anglo-American quarters.

5. The principal texts upon which I base my interpretation of Husserl are his *Cartesian Meditations: An Introduction to Phenomenology*, trans. Dorion Cairns (The Hague: Martinus Nijhoff, 1964); *The Crisis of European Sciences and Transcendental Phenomenology: An Introduction to Phenomenological Philosophy*, trans. David Carr (Evanston: Northwestern University Press, 1970); *Experience and Judgment: Investigations in a Genealogy of Logic*, ed. Ludwig Landgrebe, trans. James S. Churchill (Evanston: Northwestern University Press, 1973); *Formal and Transcendental Logic*, trans. Dorion Cairns (The Hague: Martinus Nijhoff, 1978); *Ideas Pertaining to a Pure Phenomenology and to a Phenomenological Philosophy*, trans. Fred Kersten (The Hague: Martinus Nijhoff, 1983); and *Logical Investigations*, 2 vols., trans. J.N. Findlay (London: Routledge and Kegan Paul, 1970).

   The best secondary sources on Husserl—sources which stress the robust but critical realism of phenomenology—are Robert Sokolowski, *Husserlian Meditations: How Words Present Things* (Evanston: Northwestern University Press, 1974) and *Presence and Absence: A Philosophical Investigation of Language and Being* (Bloomington: Indiana University Press, 1978). Other worthwhile sources are Maurice Natanson, *Edmund Husserl: Philosopher of Infinite Tasks* (Evanston: Northwestern University Press, 1973); James M. Edie, *Edmund Husserl's Phenomenology: A Critical Commentary* (Bloomington: Indiana University Press, 1987); Josef Seifert, *Back to "Things in Themselves": A Phenomenological Foundation for Classical Realism* (London: Routledge and Kegan Paul, 1977); J.N. Findlay, "Phenomenology and the Meaning of Realism," in *Phenomenology and Philosophical Understanding*, ed. E. Pivcevic (Cambridge: Cambridge University Press, 1975); Karl Ameriks, "Husserl's Realism," *Philosophical Review* 86 (1977): 498–519; Richard Holmes, "Is Transcendental Phenomenology Committed to Idealism?," *The Monist* 59 (1975): 98–114; John D. Caputo, "From the Primordiality of Absence to the Absence of Primordiality: Heidegger's Critique of Derrida," in *Hermeneutics and Deconstruction*, ed. Hugh J. Silverman and Don Ihde (Albany: The State University of New York Press, 1985); and John J. Drummond, "Realism and Anti-Realism: A Husserlian Contribution," in *Edmund Husserl and the Phenomenological Tradition*, ed. Robert Sokolowski (Washington, D.C.: The Catholic University of America Press, 1988).

6. The central texts for my interpretation of Heidegger are *The Basic Problems of Phenomenology*, rev. ed., trans. Albert Hofstadter (Bloomington: Indiana University Press, 1988); *Being and Time*, trans. John Macquarrie and Edward Robinson (New York: Harper and Row, 1962); *Discourse on Thinking*, trans. John Anderson and E. Hans Freund (New York: Harper and Row, 1966); *On the Way to Language*, trans. Peter D. Hertz with Joan Stambaugh (New York: Harper and Row, 1971); and *On Time and Being*, trans. Joan Stambaugh (New York: Harper and Row, 1972). There is little good introductory literature on

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Heidegger, and the secondary literature that is good is either highly specialized or more difficult than the original. The key to Heidegger is his conception of Being as the interplay of presence and absence. Sokolowski's *Presence and Absence* is an excellent speculative treatment of this theme and is very helpful in understanding Heidegger.

7. The central texts for my understanding of Gadamer are his *Truth and Method*, 2nd rev. ed., trans. Joel Weinsheimer and Donald G. Marshall (New York: Crossroad, 1989); *Reason in the Age of Science*, trans. Frederick G. Lawrence (Cambridge, Mass.: MIT Press, 1981); *Philosophical Hermeneutics*, trans. David E. Linge (Berkeley: University of California Press, 1976); and "On the Circle of Understanding," in *Hermeneutics Versus Science? Three German Views*, ed. and trans. John M. Connolly and Thomas Keutner (Notre Dame: University of Notre Dame Press, 1988). Gadamer's finest work is in the history of philosophy, especially on Plato, of whom Gadamer has produced some of this century's most important studies. See his *Dialogue and Dialectic: Eight Hermeneutical Studies on Plato*, trans. P. Christopher Smith (New Haven: Yale University Press, 1980); *The Idea of the Good in the Platonic-Aristotelian Philosophy*, trans. P. Christopher Smith (New Haven: Yale University Press, 1986); and *Hegel's Dialectic: Five Hermeneutical Studies*, trans. P. Christopher Smith (New Haven: Yale University Press, 1976). A superb introductory treatment of Gadamer's hermeneutics is Georgia Warnke's *Gadamer: Hermeneutics, Tradition, and Reason* (Stanford: Stanford University Press, 1987). On the relationship of Gadamer's hermeneutics to science, see Michael Kelley, "Hermeneutics and Science: Why Hermeneutics is not Antiscience," *The Southern Journal of Philosophy* 25 (1987): 481–500.

8. For an analysis of the role of the diaphanous model of *noûs* in the argument for Kantian idealism, see David Kelley, *The Evidence of the Senses: A Realist Theory of Perception* (Baton Rouge: Louisiana State University Press, 1986), 16–43. Aristotle states his diaphanous model of *noûs* in *De Anima* iii 4, 429a14–27:

> If thinking is indeed like sensing then it would either be a process of being affected in some way by the object of thought or be some other thing such as this. So [the thinking part of the soul] should be incapable of being affected but capable of receiving the form [of the object of thinking] and be potentially such as that but not it itself; and *noûs* should be related to the object of thought in a manner similar to that in which a sense is related to its sensible object. And, since *noûs* [can] think every [object] it must exist without being blended in order, as Anaxagoras says, "it may rule," i.e., in order that it may know. For if it appears along [with something], the [thing will] prevent or obstruct another kind [of thing from being known]; hence it is necessary for [*noûs*] to be of no nature other than that of potentiality. So the part of the soul which is called *noûs* (by *noûs* I mean that by which the soul [can] think and believe) is in actuality none of the things

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> [of thought] prior to thinking. In view of this, it is not reasonable that it [*noûs*] should be blended with the body, for it might then acquire some quality, e.g., coldness or hotness, or there might be even an organ, as there is for the [other powers]. . . .

From the foregoing it is clear that Aristotle's hylomorphism is the source of his diaphanous conception of *noûs*. The critique of such a conception of consciousness is implicit in the general thrust of Husserl's phenomenology, which is to provide a description of the acts and structures of consciousness precisely as *intentional*. Heidegger makes a critique of diaphanous *noûs* an explicit part of his project of the deconstruction of the history of ontology in *Being and Time*, 57.

9. For an analysis of the role of Aristotelian hylomorphism in the construction of Hegelian idealism—as well as a superb overall discussion of the relationship of Aristotle to Hegel—see G.R.G. Mure, *An Introduction to Hegel* (Oxford: Clarendon, 1948). Heidegger's best accounts of hylomorphism are in *The Basic Problems of Phenomenology*.
10. In his later career Heidegger began to develop a concept of absence that was not correlated with presence and could never be presenced. In "The Origin of the Work of Art," he calls this ineluctable absence "earth." See Martin Heidegger, "The Origin of the Work of Art," in *Poetry, Language, Thought*, trans. Albert Hofstadter (New York: Harper and Row, 1971), esp. 46–9. For a related critique of Leibniz's "Principle of Sufficient Reason," see also Heidegger, *Der Satz vom Grund*, 3rd ed. (Pfullingen: Neske, 1965). The last lecture in *Der Satz vom Grund* has been translated by Keith Hoeller as "The Principle of Ground," *Man and World* 7 (1974): 207–22. Still later Heidegger spoke of "*Bergung*" and "*Wahrnis*" as the powers of the sheltering, protecting, concealing, and absenting of beings, their active resistance to being exhaustively presenced and submerged into the stream of consciousness. See Thomas Prufer, "Glosses on Heidegger's Architectonic Word-Play: *Lichtung* and *Ereignis*, *Bergung* and *Wahrnis*," unpublished ms. See also Heidegger's discussion of the ineluctable absence of the aspects of the "open" that do not enter into human horizons, in "Conversation on a Country Path About Thinking" in his *Discourse on Thinking*, esp. 64–77.
11. This is what Husserl referred to as "naive objectivism" and the tendency to interpret Being in a "materially determined sense." See Edmund Husserl, "Phenomenology and Anthropology," trans. Richard G. Schmitt, in *Husserl: Shorter Works*, ed. Peter McCormick and Frederick A. Elliston (Notre Dame: University of Notre Dame Press, 1981), 315–7. Husserl's *The Crisis of European Sciences* is, in large part, a speculative genealogy of the more theoretical objectivism of modern science.
12. See Ludwig Landgrebe, "Husserl's Departure from Cartesianism," in *The Phenomenology of Husserl: Selected Critical Readings*, ed. and trans. R.O. Elveton (Chicago: Quadrangle, 1970).

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13. See David Carr's introduction to his translation of *The Crisis*. See also David Carr, *Phenomenology and the Problem of History: A Study of Husserl's Transcendental Philosophy* (Evanston: Northwestern University Press, 1974).
14. See Gadamer's "The Phenomenological Movement," in his *Philosophical Hermeneutics*, and his memoir, *Philosophical Apprenticeships*, trans. Robert R. Sullivan (Cambridge: MIT Press, 1985). See also John D. Caputo, *Radical Hermeneutics*, esp. ch. 2, "Repetition and Constitution: Husserl's Proto-Hermeneutics." The essential unity of Husserl's work with that of Heidegger and Gadamer is implicit throughout Robert Sokolowski's work, especially in *Presence and Absence*. See also Sokolowski's "The Theory of Phenomenological Description," in *Descriptions*, ed. Don Ihde and Hugh J. Silverman (Albany: The State University of New York Press, 1985). For an excellent treatment of Husserl as a post-modern thinker see John J. Drummond, "Modernism *and* Postmodernism: Bernstein or Husserl?" *The Review of Metaphysics* 42 (1988): 275–300.
15. For a clear and illuminating presentation of phenomenological reduction, see Robert Sokolowski, *Presence and Absence*, ch. 13, "Philosophy: Analysis of the Kinds of Presentation," and Sokolowski, "Quotation," *The Review of Metaphysics* 37 (1984): 699–723.

    The distinction between the lived act of knowing and the act of knowing as an object of higher-order reflective knowledge is implicit in Aristotle and was made explicit in Scholastic Aristotelianism as the doctrine of first and second intentions. Indeed, Husserl himself thought that his phenomenology "converges towards Thomism and prolongs Thomism." (Quoted in Freda Mary Oben, *Edith Stein: Scholar, Feminist, Saint* [New York: Alba House, 1988], 11.) For contemporary Aristotelian versions of this distinction, see Mortimer J. Adler, *Ten Philosophical Mistakes: The Basic Errors in Modern Thought—How They Came About, Their Consequences, and How to Avoid Them* (New York: Macmillan, 1985), ch. 1, "Consciousness and its Objects"; Ayn Rand, *Introduction to Objectivist Epistemology* (New York: New American Library, 1979), esp. ch. 4, "Concepts of Consciousness"; and Douglas B. Rasmussen and Douglas J. Den Uyl, "Rand's Realism," in *The Philosophic Thought of Ayn Rand*, ed. Rasmussen and Den Uyl (Urbana: University of Illinois Press, 1984). Rand's work, like Husserl's, can be seen as a critical reappropriation of Aristotelian realism. Indeed, I think that her *Introduction to Objectivist Epistemology* provides a provocative phenomenological account of conceptualization. I have, however, strong reservations about the descriptive adequacy of her concept of "measurement-omission."
16. In colloquial German usage, "*Dasein*" means "brute existence." Heidegger, however, hears the word as a compound of "*Sein*," or "to be," which is usually translated as "Being," and the prefix "*da*." "*Da*" refers to what is common to both "here" and "there." It can best be expressed by "availability," or, as Heidegger preferred, "openness." Thus *Dasein* is the openness or availability or horizon for the study of Being itself. See Albert Hofstadter's excellent

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appendix, "A Note on the *Da* and the *Dasein*," in Heidegger, *Basic Problems of Phenomenology*, 333–7. The phrase "dative of manifestation" originated with Thomas Prufer.

17. See Robert Sokolowski, "Intentional Analysis and the Noema," *Dialectica* 38 (1984): 114–29, and Sokolowski, "Husserl and Frege," *The Journal of Philosophy* 84 (1987): 521–8.
18. The idea that identification takes place only against the horizon of a mediating absence—or an "empty intention," to use Husserl's language—is central to Husserl's thought. For an excellent treatment of this issue, see Sokolowski's *Husserlian Meditations*, ch. 2, "Identity in Presence and Absence," and ch. 4, "Identity in Manifolds," as well as the entirety of *Presence and Absence*. The same principle is implicit in Aristotle throughout book *Zeta* of the *Metaphysics* and more or less explicit in *Metaphysics, Alpha* 1, and *Posterior Analytics, Beta* 19, 99b32–100b7. Consider for example, this passage from *Metaphysics, Alpha* 1, 980a28–981a6:

    > By nature animals are born with the power of presentation [or "perception": *aisthesis*], and from presentation memory comes into being in some of them but not in others. Because of this, animals which can remember are more prudent or more teachable than animals which cannot remember. . . .

    Prudence and teachability are founded on the possibility of identifying the same thing through a series of different presentations. The possibility of identifying the same in a series of different presentations is founded on the possibility of retaining earlier presentations in memory. These remembered presentations are the "empty intentions" or "mediating absences" which provide the horizon of past cognition against which re-cognition—the moment of identification—is possible. Aristotle continues, accounting for higher-level identifications of the same in a manifold in terms of the same play of presence and absence, empty and filled intentions:

    > All animals, save men, live with the aid of appearances and memory, and they participate but little in experience; but the race of men lives also by art and discrimination. In men, experience comes into being from memory, for many memories of the same thing result in the capacity for one experience. And experience seems to be almost similar to science and art, but science and art come to men through experience. . . .
    >
    > Now art comes into being when out of many "bits of information" from experience we form one universal belief concerning similar facts.

19. See Husserl, *The Phenomenology of Internal Time-Consciousness*, ed. Martin Heidegger and Edith Stein, trans. James S. Churchill (Bloomington: Indiana University Press, 1964); and Heidegger, *Being and Time*, division 2, chs. 4–6; *Basic Problems of Phenomenology*, pt. 2; and *History of the Concept of Time: A Prolegomenon*, trans. Theodore Kisiel (Bloomington: Indiana University Press, 1985). See also John Brough's superb essay "The Emergence of an

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Absolute Consciousness in Husserl's Early Writings on Time Consciousness," *Man and World* 5 (1972): 298–326, and Thomas Prufer's equally illuminating treatment of Husserl's inner time consciousness—as neither inner, nor temporal, nor consciousness—in "Heidegger, Early and Late, and Aquinas," in *Edmund Husserl and the Phenomenological Tradition,* ed. Robert Sokolowski (Washington, D.C.: The Catholic University of America Press, 1988.)

The juxtaposition of Husserl's conception of internal time consciousness and Heidegger's conception of temporality should not be taken to imply that they are equivalent. There are, of course, both obvious and deep similarities between the two positions, but there are also important differences and unclarities which need to be taken into account if the relationship of the two is to be understood sufficiently.

20. See Heidegger, *Being and Time* secs. 31–4.
21. On the role of interpretation in perception, see Husserl, *Logical Investigations,* Investigation I, ch. 2, sec. 23, 309–11 and Investigation V, ch.2, sec. 14, esp. 465–7. See also Patrick A. Heelan, "Perception as a Hermeneutical Act," and Graeme Nicholson, "Seeing and Reading: Aspects of their Connection," in Silverman and Ihde, eds., *Hermeneutics and Deconstruction.* Nicholson's *Seeing and Reading* (Atlantic Highlands, N.J.: Humanities Press, 1984) is an excellent contribution to a Heideggerian theory of perception. See also John D. Caputo's critique of Nicholson, "Horizontal Hermeneutics and its Delimitation," *Man and World* 19 (1986): 241–51.
22. See Husserl, *Logical Investigations,* Investigation VI, ch. 6, "Sensuous and Categorial Intuitions." See also Robert Sokolowski, "Husserl's Concept of Categorial Intuition," in *Phenomenology and the Human Sciences*, supplement to *Philosophical Topics* 12 (1981): 127–41. I give the concept of categoriality a broader extension than Husserl does in the *Logical Investigations*, on which Sokolowski's article comments. See also Rand's treatment of "and" in "Concepts of Consciousness," ch. 4 of *Introduction to Objectivist Epistemology*, 48–9.
23. Ludwig Wittgenstein, *The Blue and the Brown Books*, ed. Rush Rhees (New York: Harper and Row, 1958), 3, emph. added.
24. I owe this example to Robert Sokolowski.
25. I owe my understanding of existential death to Bill Blattner, although he probably would not agree with my interpretation of Husserl's world-annihilation. See Husserl, *Ideas*, sec. 49. See also Heidegger, *Being and Time*, division 2, ch. 1, "*Dasein's* Possibility of Being-a-Whole, and Being-Towards-Death."
26. Husserl, *Cartesian Meditations*, sec. 36.
27. For an excellent account of the development of Husserl's deconstruction, see J. Claude Evans, "Phenomenological Deconstruction: Husserl's Method of *Abbau*," *Journal of the British Society for Phenomenology* 21 (1990): 14–25.
28. See John D. Caputo, "Hermeneutics as the Recovery of Man," in *Hermeneutics and Modern Philosophy,* ed. Brice R. Wachterhauser (Albany: State University of New York Press, 1986).

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29. "Objectivism" with a small "o" should not be confused with Ayn Rand's Objectivism with a large "O."
30. For a very nice account of reductionist "one-dimensional" libertarian thinking see Chris Sciabarra, "The Crisis of Libertarian Dualism," *Critical Review* 1, no. 4 (Fall 1987): 86–100. See also Sciabarra's exchange with Tibor Machan in *Critical Review* 2, nos. 2 & 3 (Spring/Summer 1988): 226–8.
31. See F.A. Hayek, *The Counter-Revolution of Science: Studies on the Abuse of Reason* (Glencoe, Ill.: The Free Press, 1952) and "The Facts of the Social Sciences," in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948). See also Rothbard's fine essays in his *Individualism and the Philosophy of the Social Sciences.* Note especially his warm approval of the work of phenomenologist Alfred Schutz.
32. Robert Sokolowski, "Husserl's *Protreptic*," in *Life-World and Consciousness: Essays for Aron Gurwitsch*, ed. Lester Embree (Evanston: Northwestern University Press, 1972), 65.
33. See Heidegger, *Being and Time,* division one, ch. 4, "Being-in-the-World and Being-with and Being-one's-self. The 'They.' "
34. See n3 above.
35. See Israel M. Kirzner, *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1973) and *Perception, Opportunity and Profit* (Chicago: University of Chicago Press, 1979). For Kirzner's views of the relationship of alertness and attention to opportunities, see *Competition and Entrepreneurship,* 35, 65–9; and *Perception, Opportunity and Profit,* 7–8, 27, 97, 109–10, 116–7, 130–1, 148–9, 154–81, 215.
36. Kirzner, *Perception, Opportunity and Profit,* 7.
37. Most of these points were developed by Don Lavoie in a conversation with me.
38. See Gordon, "Hermeneutics versus Austrian Economics," 11.
39. See Donald N. McCloskey, "Splenetic Rationalism: Hoppe's Review of Chapter 1 of *The Rhetoric of Economics,*" *Market Process* 7, no. 1 (Spring 1989): 34–40.
40. For an example of this attitude, see Heidegger's response to logical positivist Rudolph Carnap's pinheaded analytic criticisms of Heidegger's discussions of "the nothing": "Authentic discourse about the nothing always remains extraordinary. It cannot be vulgarized. It dissolves if it is placed in the cheap acid of mere logical acumen." *An Introduction to Metaphysics,* trans. Ralph Manheim (New Haven: Yale University Press, 1959), 26. (I have modified the translation slightly.) I do not wish to imply that I believe Heidegger was a relativist.
41. See Gordon, "Hermeneutics versus Austrian Economics," 11.
42. Kelley, 39–40.
43. It is perhaps unfortunate that Kelley subtitles his book *A Realist Theory of Perception.* If realism holds that consciousness has no identity, therefore it can know reality; if idealism holds that consciousness has identity and therefore

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cannot know reality; and if Kelley holds that consciousness has identity *and* can know reality; then he is as much (and as little) an idealist as he is a realist. Both terms are too loaded to be salvaged and probably should be discarded.

44. Kelley, 40.
45. Rand, *Introduction to Objectivist Epistemology,* 110, 109.
46. Kelley, 41.
47. Ayn Rand, *For the New Intellectual* (New York: Random House, 1961), 32.
48. Kelley, 41–2, 94–5, 130–1.
49. Ludwig von Mises, *Human Action,* 3rd rev. ed (Chicago: Contemporary Books, 1966), 69. See also his "The Treatment of 'Irrationality' in the Social Sciences," *Philosophy and Phenomenological Research* 4 (1944): 527–46, esp. 536.
50. Mises, *Theory and History,* 199.

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*Barry Smith**

# ON THE AUSTRIANNESS OF AUSTRIAN ECONOMICS

*Much recent work on the intellectual background of Austrian economics reveals an unfortunate lack of awareness of the distinct nature of the Austrian contribution to philosophy, from which the Austrian economists drew many of their ideas. The present essay offers a sketch of this contribution, contrasting Austrian philosophy especially with the modes of philosophy dominant in Germany. This makes it possible to throw new light on the relations on Mises, Kant and the Vienna circle, and it allows us also to establish the extent to which Austrian economics might properly be seen as being allied to the German hermeneutic tradition of Dilthey, Gadamer, et al. The essay concludes with a criticism of the hermeneutic relativism recently canvassed by some Austrian economists, concentrating especially on the work of Don Lavoie, whose writing are treated as symptomatic of a wider and somewhat regrettable trend.*

Austria and Germany are different. They have different histories, different mixtures of peoples and religions, different modes of thinking and speaking, and different attitudes to authority, to learning, and to tradition.[1] Austria is marked, above all, by the absence of any entrenched Kantian, or Hegelian, philosophy – a

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consequence, in part, of the intellectual backwardness of the Habsburg Empire for much of the nineteenth century in relation to its neighbors to the west. The works of both Kant and Hegel were indeed for a time included in the Papal index of prohibited books. Austrian philosophical education was dominated instead by textbooks whose content was drawn from Catholic school-philosophy and from a Leibnizian-Wolffian *"Popularphilosophie"* of the sort that had been current also in Germany until the time of Kant.[2]

But all of this had the consequence that when, as a result of wider political and economic developments, the time came for the establishment of a modern and scientifically oriented philosophy in Austria, there was little of substance against which the new philosophical developments had to compete. Modern philosophy was thereby (and not without irony) able to gain a hold in Catholic Austria, where its development in Germany has been repeatedly thwarted by the influence of idealism and other metaphysical tendencies antagonistic to a scientific philosophy.[3]

The strength of idealist metaphysics in Germany may derive in no small part from the fact that it is closely associated even in the popular mind with the development both of German nationalist feeling and of the German nation itself. Kant, Hegel, Fichte (and to a qualified extent also Marx) have come to occupy an entrenched position in German thought and feeling that is comparable to the position of Catholicism in modern Poland. At no time was philosophy rooted in this way in the structure of the Austrian state and in the national consciousness of the Austrian people.

What is this German national philosophy?[4] Simplifying somewhat, we might say that it is a philosophy which deals in grand philosophemes: *Reason, Understanding, Subjekt/Objekt Dialektik, Transcendental Ego, World Spirit, Hermeneutic Circle*, and so on. The relation of these philosophemes to empirical matters of fact is not, normally, a subject for investigation, so that the philosopher's world (the world of the Philosophical Text) is in effect split apart from the world of what happens and is the case. As we shall see, this has important consequences for the style of the philosophy which results. The writings of some German philosophers seem, indeed, to involve little more than a mere permutation of philosophemes, a literary form that is still alive in Germany today.[5]

## *The Marks of Austrian Philosophy*

Philosophy plays no central role in the national consciousness of the Austrians. Yet, as philosophers and historians of ideas have come gradually to recognize, there is a peculiarly Austrian way of doing philosophy, sharply to be distinguished from that of Kant, Hegel, Fichte, Schelling, Schopenhauer, Schleiermacher and their modern-day successors.[6]

The characteristic marks of Austrian philosophy are difficult to define precisely. If, however, we consider the thinking of Bolzano, Brentano,[7] Twardowski, Meinong, Ehrenfels, the early Husserl, Mach, Boltzmann, Wittgenstein, Werthei-

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mer, Ingarden, Gödel and Popper, then we can reach the very tentative conclusion that this thinking is at least to some degree marked by:

(i) the attempt to do philosophy in a way that is inspired by or closely connected to empirical science. it is indeed remarkable to consider the extent to which modern philosophy of science has been a characteristically Austrian phenomenon. One thinks in this connection not only of Bolzano and Mach, Popper and Polanyi, Wittgenstein and Hayek,[8] but also of Ludwig Boltzmann, Ludwik Fleck,[9] Gustav Bergmann, Paul Feyerabend and Wolfgang Stegmüller – all of them Austrians (or Austro-Hungarians) who have done much to determine the shape of the philosophy of science as we know it today.[10]

(ii) a concern with the language of philosophy. This sometimes amounts to a conception of the critique of language as a tool or method of philosophy; sometimes it leads to attempts at the construction of a logical ideal language; in many cases it manifests itself in the deliberate employment of a clear and concise language for the purposes of philosophical expression and in the cultivation of a philosophical style that is not cut free from the empirical world of what happens and is the case.

(iii) a special relation to realism, understood both in an ontological sense (the world exists, more or less as we find it) and in an epistemological sense (knowledge of the world is possible and we are already in possession of substantial portions of such knowledge). The Kantian revolution was not accepted by the Austrians, and neither were the various sorts of relativism and historicism which came in its wake. This means that there is no divorce of "phenomenal" and "noumenal" worlds within Austrian philosophy: the world that is experienced and known and the world as it is in itself are one and the same.

(iv) realism is associated further with a commitment – in the end derived from Aristotle – to descriptive or ontological adequacy. This is marked especially by a concern with how the parts of a thing fit together to form a structured whole. In some cases it involves the recognition of differences of ontological level among the entities revealed to us by the various sciences and a consequent readiness to accept a certain stratification of reality.

(v) a concern for the unity of science, above all from the point of view of method. In the work of some of the Vienna positivists this is manifested in the particularly extreme form of a physicalistic or phenomenalistic reductionism. In the work of Brentano and his followers it takes a milder form. Consider, above all, Brentano's defense of the thesis that even philosophy has as its sole method the method of the natural sciences (though what, precisely, he might have meant by this we shall discover only *en passant* in the pages that follow).

(vi) a special relation to the a priori, revealed for example in a willingness to accept one or other form of Platonism (in logic, ontology, value theory, and elsewhere), or to accept disciplines such as phenomenology and Gestalt theory which are (as Wittgenstein expressed it) "midway between logic and physics." The question as to how such apriorism can be consistent with a respect for empirical science will be addressed below. Provisionally, however, we can say that – at least

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for Austrians in the tradition of Brentano – the world is at least to some degree meaningful or intelligible.

(vii) an overriding interest in the relation of macro-phenomena (for example in ethics, or in ontology) to the mental experiences or other micro-phenomena which underlie or are associated with them. This does not of necessity imply any *reduction* of complex wholes to their constituent parts or moments. Certainly a reductionism of this sort is present, again, in Mach and in some of the Vienna positivists, but it is explicitly rejected by almost all the other Austrian thinkers to be discussed below.

(viii) a sympathy towards and in many cases a rootedness in British empiricist philosophy, a concern to develop a philosophy "from below," on the basis of detailed examination of particular examples, rather than "from above" in the fashion of many German philosophers (with manifest consequences, again, for the literary style of the philosophy which results). This piecemeal empirical approach meant also that the ideas of the Austrian philosophers were often fruitful for the practice of science itself, as for example in the case of Mach, Ehrenfels, Malinowski, Jakobson, Wertheimer, Lesniewski, Gödel, etc.

Not all of the given features are shared in common by all the thinkers mentioned. Some philosophers in Austria are marked precisely by the ways in which they modified or reacted against what was characteristic of Austrian philosophy in general. Some (for example Wittgenstein and Husserl) changed their relationship to these features over time. What is remarkable, however, is the extent to which the features mentioned have in German philosophy played almost no role at all, neither positive nor negative – and this is all the more remarkable given the extent to which successive generations of German philosophers have differed so widely amongst themselves.

German philosophers have rarely shown any sensitivity to the role of language in philosophy. Thus they have tended to strive for philosophical *depth*, and this has been often at the expense of philosophical clarity, which they have associated with "shallowness" of thinking.[11] Even Kant can be charged with some of the responsibility for the stylistic excesses and consequent unclarities of his successors, and Neo-Kantians such as Rickert and Windelband, who attempted to develop a scientifically oriented philosophy in the spirit of Kant, never achieved in their writings that sort of clarity which we associate with Bolzano or Brentano.[12]

It is not a matter of accident that philosophers in Germany did not, for the most part, allow themselves to be influenced by Anglo-Saxon ideas. There were political and economic reasons for the Anglophobia of most Germans in the eighteenth and nineteenth centuries, as also for certain contrasting Anglophile feelings of the Austrians in this same period. Kant himself is in this respect something of a special case, since there is certainly a sense in which he can be said to have attempted a reconciliation of empiricism and rationalism in his critical philosophy. This reconciliation was not, however, in what we shall come to

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recognize as the manner of the Austrian philosophers. And while Kant was certainly influenced by Hume, this seems to have rested in no small part on a misunderstanding of the relevant Humean doctrines.[13]

Post-Kantian German philosophers have rarely embraced realism in any form, and they have typically scorned that sort of descriptive breadth and detail which we find, for example, in Aristotle or Locke. Ontology, insofar as this is treated at all, is normally more or less absorbed into epistemology. Attention is directed not to the world, but to our knowledge of the world, and even the latter is conceived in abstraction from knowledge actually gained and from the practices of scientists, in a way which can be seen to have thwarted the development of a native German tradition in the philosophy of science.

German philosophers are typically historicist and collectivist in their methodologies; they are prone to consider the experience or action or knowledge of the individual subject as subsidiary to or as a dependent part of some larger socio-historical whole. This is connected with what we might loosely call the romantic element in German philosophy, a mode of thought which, in stressing the ultimate unintelligibility of the world, is inimical to science. A romanticism of this sort is present in modified form in Dilthey, a philosopher whose thinking might in other respects seem to manifest a number of the features of Austrian philosophy mentioned above. Dilthey insists familiarly on a radical opposition as between the sciences of what is "outer" and what is "inner." The method of explanation characteristic of the natural sciences is appropriate, he argues, only to the former. The latter is, as far as our scientific explanations are concerned, unintelligible: it requires a special method of *Verstehen*, a method which, as Brentano saw, has something mystical about it (and in this respect it may be worthy of note that it was in Germany in the 20s and 30s that Dilthey's thinking was especially influential).[14]

## *Varieties of Empiricism*

The list of features of Austrian philosophy presented above is both impressionistic and incomplete, and it is by no means unambiguous in every respect. A more adequate treatment of the peculiarities of Austrian philosophy would almost certainly need to distinguish at least three groups:

(I) Mach-inspired thinkers, including Boltzmann and the members of the Vienna circle, Hilferding and other Austro-Marxists, Mauthner, Malinowski, Schumpeter, and many others;

(II) Brentano-inspired thinkers, including Christian von Ehrenfels and the Gestalt psychologists, Kasimir Twardowski and the Lemberg-Warsaw school, Alexius Meinong and the Graz school, Husserl and the early phenomenologists, especially Adolf Reinach, Roman Ingarden, Alfred Schütz, Felix Kaufmann and others;

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(III) a more loosely assembled tradition of what might be called sociologizing epistemologists, including Witold Gumplowicz, Ludwik Fleck, Michael Polanyi (perhaps also the later Wittgenstein), in a line extending in our own day to the work of T. S. Kuhn.[15]

Group (III) we shall for the moment leave aside. Groups (I) and (II) share what we might call a compositive method, consisting in the analysis of a given subject-matter into basic elements combined with an investigation of the ways in which these elements may be combined together into wholes. Mach and Brentano are however divided by the atomism of the former, and by the structuralism of the latter. Where for Mach the reportoire of available wholes is limited to always provisional and continually changing aggregations with which at best quantitative measures can be associated, Brentano sees the compositive method as capable of leading to an alphabet of qualitatively different sorts of elements which combine together into structured wholes of different sorts. Hence we can see how it was that, where Mach saw science in terms of always provisional hypotheses concerning the orderings (functional relations) of elements constantly in flux, Brentano held that we can achieve scientific knowledge in the sense of knowledge of qualitative universal laws, laws pertaining precisely ot the structures of elements and to their combinations into wholes of different sorts.[16] Both philosophers were "empiricists," but as we can see, there is a striking difference between the phenomenalist empiricism of Mach and what one might call the qualitative and structuralist empiricism of Brentano and his circle.

Later philosophers of science in the Mach tradition have tended to embrace a view of science as an essentially predictive enterprise, seeing science as bound essentially to what is capable of being expressed numerically and as being concerned primarily with the building up of "models." Thinkers in the Brentanist tradition have embraced no such restriction. Science, for them, deals not with models or quantitative abstractions but rather (as one says) with the things themselves. Moreover, Brentanian empiricism is consistent both with the idea that the scientist may have insight into the structures with which he deals and with the idea that mere description is a scientific enterprise worthy of pursuit, even if such description leads to the conclusion that predictive laws in certain spheres are unobtainable.

The science of psychology, in particular, is seen by Brentano himself as presupposing a descriptive proto-science of the basic elements and forms of combination in the domain of psychology, a discipline whose propositions would be derived from that basic familiarity with the natural affinities among psychic phenomena that is granted by inner perception.[17] Empirical psychology cannot be a mere matter of measuring and calculating, Brentano argued. For how would it be possible to know what one was measuring, and what would be correlated with what, unless one were in possession of some prior conception of the nature of the objects to be measured and correlated?

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## *Vienna and the Rise of Scientific Philosophy*[18]

We have adverted already to some of the reasons why Vienna, in particular, should have provided such especially fertile soil for the development of scientific philosophy. The rapid growth of liberalism experienced in Vienna in the second half of the nineteenth century brought with it, in especially concentrated form, ideas stemming from the Enlightenment and from empiricism and utilitarianism. Mach was himself a product of this Viennese liberal enlightenment, and his influence did much to encourage an interest in epistemological and logical problems and in problems connected with the foundations of physics and of theoretical psychology—to the extent that Hayek can report that he and his contemporaries, on arriving in Vienna to take up their studies in the immediate post-war years, "found in Mach almost the only arguments against a metaphysical and mystificatory attitude" such as was manifested by the dominant German-inspired philosophers of the day (1966, 42ff.).

Carl Menger, too, the founder of the Austrian school of economics, contributed something to this scientific outlook on the part of Austrian intellectuals. Menger's methodologically individualist doctrines represented a synthesis of liberal economic ideas with the affirmation of the possibility of theoretical rigor in economics. He was arguing in this respect against two generations of historicist economists in Germany who had insisted on a relativization of the content of economics to particular times and cultures. This was either because economic concepts themselves were seen as being relative in their content to the particular circumstances in which they arise, so that economic categories are merely dependent moments of larger historical wholes and are unintelligible outside the context of these wholes. Or it was because the data of economics were seen as residing exclusively in historical and statistical records, so that economic theory can consist at best in inductive generalizations. Menger, in contrast, argued that "exact theory" is possible in economics (as it is possible, for example, in geometry or mechanics). There are, he argued, economic categories which are *universal* (in the sense that they are capable of being exemplified in principle in every economy and which are capable of being grasped as such by the economic theorist). Menger's work can indeed be seen as standing in opposition to German historicist doctrines in the sphere of economics in a way which almost exactly parallels the opposition of, say, Bolzano or Brentano to the philosophies of Kant and Hegel.

Brentano was even more responsible for the spread and for the taking root of modern scientific ideas and of scientific philosophy in the Empire of the Habsburgs. Brentano had moved in 1874 from Würzburg to Vienna in the belief that Austria, which was at that time both liberal and Catholic, would be more congenial to his ways of thinking than his native Germany. He taught philosophy for some twenty years in the University of Vienna with great success, remaining a quite singularly influential figure among the Austrians despite the fact that he was forced to resign his chair in 1880.[19]

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Brentano remained in Vienna as a mere *Privatdozent* until 1895. He was thereby able to continue to exert his influence as a teacher. But his students and disciples were largely forced to turn elsewhere in order to pursue their philosophical careers, and in this way the Brentanian empiricist philosophy came to predominance in other centers of learning, both within and without the Empire. The positive attitude towards empiricism and scientific theorizing which Brentano had cultivated in his followers was thereby to an extent able to create a fertile soil for the development of other (sometimes alien) scientifically oriented brands of philosophy, including the logical positivism of the Vienna circle.[20]

## *Austrian Economics and Austrian Philosophy*

What light does all of this throw on the tradition of Austrian economics? The two movements of Austrian philosophy and Austrian economics are first of all historically linked.[21] Both Meinong and Ehrenfels, for example, were students of Menger in Vienna. Both attempted to establish a "general theory of value" on a partially economic basis, drawing on subjectivist views of imputation and marginal utility put forward by Menger in his *Principles of Economics* of 1871.[22] So close were these affinities that Brentano, Meinong and Ehrenfels were dubbed the "second" Austrian school of value theory, in recognition of their links with the "first" Austrian school of Menger, Wieser and Böhm-Bawerk.

Prague, also, was a center of Austrian economics, and the first and second Austrian schools of value theory were closely associated there, too, above all through the acquaintanceship of Ehrenfels and Wieser and through the activities of Brentano's disciple Oskar Kraus. Böhm-Bawerk in his magnum opus on capital theory (1909–14) takes explicit account of the work of Brentano and Kraus in his attempts to establish a psychological foundation for his theory of the role of time in interest-rate formation, and Kraus attempted in his turn to lay bare what he saw as the Aristotelian roots of Austrian economic theory – thereby demonstrating also its affinities to certain Brentanian ideas.[23]

The two movements were linked together in their common relationship to English philosophy, a relationship that is documented, so far as Menger is concerned, in the writings of Hayek.[24] They are linked further – in opposition to their historicist contemporaries in Germany – by a shared readiness to employ the compositive method as a basis of what they each called "exact theory" in relation to their respective disciplines, and by a common "subjectivist" or "methodologically individualist" concern to relate all macro-phenomena to the underlying beliefs, decisions, expectations, preferences, habits, tastes, etc. of individuals.

There are links, also, between Austrian economics and phenomenology. Husserl, too, attempted to develop a general theory of value on a subjective ("phenomenological") basis. He propounded his own version of the compositive method[25] and he defended a qualitative empiricism relying in no small part on the evidence of introspection. Moreover, in the doctrine of the a priori of the

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*Lebenswelt* sketched at the very end of his life, Husserl adopts as the basis of his philosophizing just those phenomena of everyday human action which, from a different perspective, form the starting point of Austrian economics. His ideas were applied in the social sciences by thinkers such as Adolf Reinach, Alfred Schütz, Wilhelm Schapp, Herbert Spiegelberg, Tomoo Otaka and Felix Kaufmann – all of them thinkers whose writings have a more than passing affinity with the classical works of the Austrian economists.

Reinach's work bears comparison especially with that of Friedrich von Wieser. Thus Reinach seeks in his "A Priori Foundations of Civil Law" of 1913 to develop a categorical ontology of the legal sphere.[26] His theory of the relations between such basic legal phenomena as contract, obligation, promise, etc., which he conceives as a first step towards an a priori ontology of the social world, deals explicitly with the ways in which the corresponding a priori structures may become modified in their instantiation in given contexts, for example through the acts of legislators and judges.[27] Wieser, similarly, in his methodology of economics sees economic theory as beginning with the description – based in part on introspection – of the simplest structures of economic reality, a description which is then supplemented and to some extent corrected by empirical research into the various ways in which these simple structures may come to be affected contingently in different contexts.

There exist also affinities between the second generation of Austrian economists and Austrian philosophers of science.[28] Thus for example Karl Menger, son of Carl, was an active member of the Vienna circle, a prominent mathematician and the author of a number of works in ethics and decision theory. Hayek (a distant cousin of Wittgenstein and friend of Popper) had himself seriously considered joining the Vienna circle, though he had been deflected from this path by the somewhat naive, not to say absurd, economic views of Otto Neurath.[29] Phenomenologists such as Alfred Schütz and Felix Kaufmann, themselves close friends of Hayek, sought at one and the same time to apply Husserlian ideas in the social sciences and to maintain friendly relations with the logical positivist movement.[30] Richard von Mises, brother of Ludwig, was a member of the Vienna circle and author of a tract on logical positivism. And even though the Mises brothers were methodologically at each other's throats, ideas accepted by the Vienna circle did nonetheless have some influence on Ludwig's thinking, though the major influence of Viennese positivism on contemporary economics has, familiarly, been in helping to determine the methodological ideas of the Neoclassical mainstream, most conspicuously through the work of Milton Friedman and the Chicago school.

## *The Austro-Aristotelian vs. the Kantian A Priori*

Our thesis is not simply that there are strong historical links between the traditions of Austrian economics and Austrian philosophy – the latter to be

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conceived henceforth in its broadly Brentanian form[31]—but further that there is an essential affinity between their respective methods and doctrines, and that an awareness of this affinity can help us to understand certain peculiarities of Austrian economics as it has developed from the time of Menger to the present day. It is especially in regard to the problem of apriorism that a sensitivity to the specific character of the Austrian tradition can be of use. For there is in fact a special Austrian (which is to say: non-Kantian) account of the a priori, an account which is rooted in Aristotle,[32] present in Leibniz's doctrine of the *disparatae*[33] and even in Hume's treatment of color-relations,[34] hinted at by Brentano, and developed explicitly by Husserl and Reinach.[35]

That a proposition is "synthetic" I take to mean that it is not logically empty, in the sense that it is not capable of being reduced to a truth of logic by a process of successive elimination of defined terms. This I take to be the salvageable core of the Kantian conception of synthetic judgments as judgments whose predicate is not "contained in" the relevant subject. Kant, as we know, sees the realm of the synthetic a priori as residing in the quite special realm of what he calls pure or transcendental consciousness. The Austrian claim, in contrast, is that there is an a priori dimension across the entire material range of both science and everyday experience, so that vastly more propositions turn out to be synthetic and a priori on the Austrian view than on that of Kant.

From the Kantian perspective the world as it is in itself is (from the point of view of the cognizing subject) an unintelligible chaos. There arises an a priori dimension in our knowledge only as a result of the fact that we ourselves ("transcendentally") impose a spurious order on this chaos, an order which reflects the structures of the human mind. (Recall, here, Hume's doctrine of the causal relation as something that is superadded to what is given in sensation.) For the Austrian Aristotelians, in contrast, the world as it is in itself manifests dimensions of intrinsic intelligibility. The realm of what is knowable, from this perspective, embraces not only contingent regularities knowable a posteriori (by experiment and induction) and analytic truths knowable a priori (by analysis of concepts), but also truths synthetic and a priori which reflect the intelligibility of corresponding structures or relations in the world. These structures are universal or severally exemplifiable: they hold not between objects qua individuals, but rather between objects qua instances of universal species or kinds.[36] Further, they are intelligible in the sense that they are grasped immediately and without experiment or inductive inference, in much the same way that we grasp, for example, the validity of a mathematical proof.[37] Consider, for example, how we would go about verifying the proposition that red is not green, or that nothing can be red and green all over. Is it conceivable that propositions such as this should be verified by induction or experiment?

The logical positivists were inspired in the first place by the Kantian conception of the a priori, going further than Kant, however, in embracing the thesis that propositions are capable of being known a priori if and only if they are analytic (tautological, empty, a matter of definitions). They were thereby called upon to

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demonstrate how candidate examples of synthetic a priori propositions can be reduced to truths of logic, demonstrations of a sort which, especially through the work of Frege and Russell, had already been obtained with some success in the sphere of mathematics. When it came to driving home these successes in other spheres, however, the results were much less convincing. What is not usually recognized in this respect is that most problems for the Vienna positivists were created precisely by examples which they had taken from the Austrian aprioristic tradition, especially as represented in the work of Husserl and the early phenomenologists in Munich.[38] Thus they were especially concerned, for example, by propositions like "nothing can be both red and green all over," "if something is red then it is not green," "all colors are extended," and so on, examples of candidate synthetic a priori propositions which would not have been at home in the framework of Kant and his successors.

Austrians in the tradition of Brentano, Husserl and Reinach, in contrast, regarded such examples as giving rise to the necessity to embrace a tripartite view according to which the division of propositions into *analytic-necessary* and *empirical-contingent* is not exhaustive. A third class of synthetic a priori propositions must be recognized also, constituting such a priori disciples as phenomenology, legal theory, phonology, universal grammar, speech-act theory, and that proto-science of human action we call Austrian economics.

Where, then, both Kantians and positivists conceived the a priori as a matter of relations between universal concepts which enjoy a purely mental existence and as being in some sense a contribution of the knowing subject, the Austrian Aristotelians conceived the a priori as a matter of intrinsically intelligible relations between species or structures of objects in the world, relations which would obtain even if there were no minds to apprehend them. Where Kantians and positivists held that a priori knowledge is either empty ("analytic") or a reflection of the fact that we see the world through "conceptual spectacles" which somehow allow us to make sense of that world (which must presumably be otherwise, in the relevant respects, chaotic), the Austrian Aristotelians held that a priori knowledge is read off the world, reflecting the fact that certain structures in reality are intrinsically intelligible. And where Kantians and positivists held that the class of a priori propositions is, leaving aside the case of logic or arithmetic, restricted to a more or less ad hoc selection of isolated examples, the Austrian Aristotelians affirmed that there are whole families of a priori propositions, constituting entire disciplines, of which Austrian economics and (certain sorts of) phenomenology would be only the most conspicuous examples. Note that I have spoken here rather loosely of "Kantians and positivists," for Kant's own views are rather special, and it is a simplified version of these views which has influenced the debate on the synthetic a priori in the last hundred years. Thus there are no a priori propositions in Kant, but a priori "forms"; these allow a priori judgments, which are held in turn to provide the "conditions of the possibility" of science. Mathematics, for example, is based on the a priori forms of intuition (space and time); physics is based on causality and on other a priori categories of the understanding.

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Note also that, when once they are properly understood, the Austrian and Kantian conceptions of a priori judgments or propositions need not be in conflict. It may very well be that, even in a world which manifests a priori structures of the Austrian sort, there might still be room for dimensions of non-contingent (conventional?) structures that are read into the world in the way the Kantian would require. Moreover, it may be that the Kantian notion of an epistemological a priori in fact requires a foundation in an ontological a priori of the Austrian sort. For if Kantian a priori formings and shapings are read into reality, then we know at least that reality must itself be dispositionally such that it can bear such forms, and the *fundamenta* of the relevant dispositional properties here would constitute something like an a priori *in re* in the Austrian sense. Even if the world in itself is infinitely elastic, so that it is capable of bearing any and every sort of forming and shaping, then it seems that there must be some residual a priori structure in the Austrian sense at least on the side of the mind that is responsible for this forming and shaping. For if the latter is not itself entirely random, then the mind itself must possess some structures of its own, and these cannot themselves be the result of forming and shaping in the Kantian sense, on pain of vicious regress.

Not only for Kant, but from the Austrian perspective, too, the dimension of a priori structures has an important role to play in the foundations of science. All scientists bring with them descriptive presuppositions of different sorts, presuppositions which are usually tacit in nature, which will often seem trivial when made explicit, and which will, therefore, no less often lend sanction to the view that they are merely empty or analytic – a view we shall have occasion to examine more carefully below.

## *Linguistics and Economics*

We can perhaps begin to see more clearly the affinities of Austrian economics with Austrian philosophy if we consider briefly the more recent "universals of language" research program in linguistics. Here the assumption is made that there are structures in (linguistic) reality which are universal to all languages. There are different ways in which this universality might be understood. One might, for example, be able to demonstrate that (some of) the structures in question reflect the hard wiring of the human brain or the make-up of the organs of speech and hearing. Alternatively one might seek to show that they are structures manifested (in principle) by every natural language because they are indispensable to every utterance as such, or to every act of communication, to every promise, and so on. The given structures are, in any case, at least tacitly familiar to everyone who has dealings with the objects concerned (i.e. to every speaker of a language). Yet this does not by any means imply that it is a simple matter to discover what such structures are and to formulate workable and realistic theories about them.[39] Nor does it imply that the issue as to which sorts of linguistic structures are universal is a matter of the "conceptual spectacles" of the language-using subject. Nor,

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finally, does it imply that this issue is merely a matter for arbitrary legislation by the linguistic theorist. Universals of language are not created by the linguist. They are discovered through painstaking theoretical efforts.

Similarly in the case of Husserlian phenomenology. Here, also, we are dealing with universal structures of experience (of perception and judgment, feeling and imagination) which are at least tacitly familiar to every individual. Yet this does not imply that it is a simple matter to discover what such structures are and to formulate workable theories about them. Nor does it imply that the issue as to which structures of experience are universal is a matter for arbitrary legislation by the phenomenologist, or that it is a matter of the "conceptual spectacles" brought to bear on his experience by the experiencing subject. Universals of experience are not created, either by the phenomenologist or by the experiencing subject. They are discovered through painstaking theoretical efforts.

Austrian economics, similarly, holds that in the sphere of economic phenomena we have to deal with structures which are universal in the sense that—because they are indispensable to every economic action as such, or to every instance of exchange, barter, rent, profit, etc.—they are manifested (in principle) in every economy. The given structures are also at least tacitly familiar to everyone who has dealings with the objects concerned (i.e. to every economic agent, to every observer of the behavior of markets). Yet this does not by any means imply that it is a simple matter to discover what such structures are and to formulate workable theories about them. Nor does it imply that the issue as to which sorts of economic structures are universal is a matter for arbitrary legislation by the economic theorist or of the "conceptual spectacles" of the economic agent. Universals of economic reality are not arbitrary creations of the economist. They are not created in any sense. They are discovered through painstaking theoretical efforts.[40]

It seems indisputable that it is this non-Kantian notion of the a priori which underlies Menger's work in economics. Consider for example Menger's letter to Walras of 1884, in which Menger insists that economists "do not simply study quantitative relations, but also the nature [*das Wesen*] of economic phenomena." Economists study the qualitative nature of and the relations between such structures as, for example, value, rent, profit, the division of labor, money. It could be said in this light that Menger seeks to develop a categorial grammar (or better: a categorial ontology) of economic reality, to establish how the various different sorts of building blocks of economic reality can be combined together in structured wholes, and to determine—through the application of what he himself called a genetico-compositive method—how such wholes may originate and how they may develop and become transformed over time into other kinds of wholes.

Of course an apriorism of this sort does not mean (any more than in the case of linguistic universals) that economic theory is free of any empirical components. As we shall see, it is a difficult matter to sort out what, precisely, the appropriate role for empirical investigation in economics (and in related disciplines) might be. What is certain, however, is that quantitative investigation in economics can be coherent and can have implications for the world outside the theory only to the

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extent that it is carried out on the basis of an a priori understanding of the natures of at least some of the entities to be measured and compared. For otherwise the economist is not merely measuring in the dark, he is also without any means to tie down the results of his theorizing to economic reality itself.

Let us return for a moment to our list of the marks of Austrian philosophy above. We have reached the stage where we can begin to understand how the apriorism of Austrian philosophy can be consistent with its pronounced willingness to be influenced by empirical research. The Austrian doctrine implies that, in relation to each of a range of empirical sciences, there exist certain underlying structures with which we are pre-theoretically familiar, and that it is our (sometimes merely tacit) knowledge of such structures which yields the preliminary framework for that activity of measuring and calculating and correlating which (as we normally suppose) forms the heart of empirical science proper.

Euclidean geometry, we might say – or something very like it[41] – constitutes one such a priori proto-discipline of the science of physics. As the case of geometry makes clear, empirical research, measuring and calculating, may in certain circumstances come to exert an ex post control on the relevant proto-discipline, so that we may come to regard the propositions of the latter in a new light; the results of empirical research may even lead us to reject as false propositions hitherto accepted as a priori true. This does not mean that the opposition between what is empirical and what is a priori is itself undermined. No single a priori proposition of a proto-discipline may be falsified by empirical means: even the possibility of direct logical contradiction is here ruled out. The control exerted by empirical research is at most indirect, as further reflection on the case of geometry will make clear. It is such indirect control which is at work when physicists come to employ non-Euclidean geometries in their descriptions of reality. That such control is possible at all, however, shows that we have only partially trustworthy access to the a priori structures in the world, so that it is not to be ruled out that Austrian economists, too, may one day have to countenance the idea of something like a non-Euclidean Austrian economics in their dealings with economic reality.[42] In any event, the very possibility of such empirical control signals that the Austrian a priori may have to be divorced from epistemological concerns of a Cartesian-Kantian sort. For if a priori structures exist independently of the mind (or independently of what the mind reads into reality), then we have no good cause to expect that our knowledge of such structures will in every case have that sort of absolute evidence with which the Kantian a priori is normally associated. It thereby becomes possible to conceive a doctrine of what we might call fallibilistic apriorism, parallel in some respects to doctrines of fallibilistic intuitionism in ethics.[43]

When the above considerations are taken into account, then many of the unfortunate connotations of the term "a priori" will be seen to fall away. Thus one common objection to the notion of an a priori proto-discipline turns on the fact that different individuals may have different intuitions as to what counts as a priori. The possibility of indirect empirical control does much to render this

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objection harmless. The thesis that the a priori is a matter of what can be read off from intelligible structures in reality may, indeed, serve to make understandable the fact that such different intuitions exist. Certainly it tells us that the acquisition of a priori knowledge may be no easy matter, while by contrast, a priori knowledge on the Kantian conception ought in some way to be both incorrigible and immediately accessible to all.

## *Two Kinds of Subjectivism*

An understanding of the affinities between Austrian philosophy and Austrian economics can help us to find our way also in regard to the problem of the much-lauded subjectivism of Austrian economics. Must this subjectivism, when taken to extremes, issue also in a sort of relativistic skepticism which would make economic theory as we know it all but impossible?

The opposition between reading into and reading off of the sphere of value is very clearly illustrated in the already mentioned attempts by Ehrenfels and Meinong to construct a "general theory of value," in part on the basis of Mengerian ideas. A general theory of value, as they conceive it, would establish the laws that govern value as such, wherever it might be realized. Both Ehrenfels and Meinong followed Menger (and Brentano) in holding that a theory of value should be rooted in the psychology of individual valuing acts, at least in the sense that it should throw some light on the relations between value and such psychological phenomena as feeling and desire.

Meinong sought in this respect to defend an objectivist theory of value: desire, he held, is in every case derivative of value, which rests on the capacity of an independent object to awaken positive feelings within us. Value is thus an objective property of the valued object, something that is read off of reality by the valuing subject. Ehrenfels, in contrast, defended a subjectivist theory, arguing that value must be something that is read into the world. For if Meinong were right, then only existing objects could be desired (since only existing objects can have the capacity to awaken positive feelings). Most desires seem, however, to be directed towards objects which do not exist (or to states of affairs which do not obtain). Desires, therefore, are the more primitive phenomenon, and Ehrenfels accordingly defended a conception of both value and positive feeling as founded on appropriate desires as their presuppositions. It is not that we desire something because it has value. Rather is it as if, through education, experience and other forces, we have had inculcated within us a certain repertoire of desire-dispositions, and things have value for us because we desire them (because they release within us corresponding tendencies to desire). Ehrenfels seeks, indeed, to provide an evolutionary theory of the ways in which historical forces may motivate changes in patterns of desire-dispositions over time, and therefore also motivate changes in patterns of value. As he points out, even such ethical phenomena as chastity, honesty, and conformist behavior may be subject to such principles as the law of

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diminishing returns, and the relative values accorded to them may change over time. Ehrenfels's investigation of the economic laws governing ethical behavior indeed anticipates a number of aspects of the "new approach to economic behavior" propounded in more recent years by Becker, Tullock and others.[44]

In a second sense of "objectivist," however, Ehrenfels is no less so than his teacher Meinong. For Ehrenfels certainly believed that it is *true* (objectively) that values and desire-dispositions may change over time, and that the former are dependent on the latter. Almost all Austrian philosophers are objectivists in this sense, even those who place the experiences of the human subject at the center of their philosophies. And the same applies also, I believe, to the practitioners of Austrian economics, not only as this was classically conceived, but also in its Misesian, Lachmannian, Kirznerian and Rothbardian varieties. Austrian economists themselves have, it is true, rarely felt the need to draw attention to this fact. This is because the discoveries of the Austrian school have derived primarily from the application to economic phenomena of insights which derive from subjectivism in the first of our two senses, and Austrians have quite rightly wanted to emphasize the central role in their theory of the acting human subject (as opposed, for example, to abstract equilibrium models or other objectivist fictions).

In the second sense of the term "subjectivism," then, Austrian economics is as objectivist a discipline as any other. It holds that there are facts of economic reality – for example that there are acts of entrepreneurial perception, that value is a function of individual valuing acts, that value is subject to the law of marginal utility, that there are unintended consequences of human action, that time preference is positive, that the value of consumer goods is imputed to the value of goods further back in the process of production, and so on. Austrian economists believe that economic reality is constituted out of highly complex structures of human acts and actions interacting together over time in complex ways. They believe that there are difficulties of principle in gaining access to the contents of such acts on the part of the economic theorist. And, because of the complexity of the relevant interactions (having to do, for example, with the interdependence of our separate beliefs and expectations), they believe that the given reality is – like all psychologically based phenomena – subject to constant flux. Hence, also, they believe that there are limits to the economist's powers to grasp this reality in theoretical terms. They argue further that economic theories may influence the shape of economic reality in the sense that economic agents may have beliefs about such theories which may influence their own expectations and behavior. But what Austrian economics does not maintain, and what it cannot maintain, if it is to retain its status as a scientific discipline, is that economic theory in any sense "creates" the economic reality to which it is directed.

## *On Hermeneutics*

Having set forth something of the historical and conceptual background of Austrian economics and Austrian philosophy, it is time to say a few words about

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certain more recent developments among the community of Austrian economists in the United States, developments which amount to paying at least lip-service to certain contemporary manifestations of post-Kantian German philosophy, a philosophy which, as I hope has by now become clear, is alien to the Austrian tradition.[45]

It is alien, first of all, for reasons of *style*. What Hayek referred to as the "metaphysical and mystificatory attitude" of German philosophers, an attitude initiated by Kant and brought to perfection by Hegel and Schelling, has not only wreaked untold damage in Germany, it has also brought about the virtual destruction of philosophy in contemporary France. This same style is taken over in our own day by Heidegger, and also by the hermeneuticists.

The principal message of hermeneutic philosophy seems to be that the "problem of interpretation" as between one culture and another or between one time and another calls for an overhaul of our familiar ("objectivistic") notions of truth and scientific objectivity in a way which seems to issue in a sort of cultural relativism. Some hermeneuticists are less happy than others with such relativistic consequences, and prominent hermeneuticists such as Gadamer seem not always to be entirely explicit in this regard, so that it is difficult, for example, to extract from Gadamer's writings an unequivocal statement as to what he means by "truth." We can get some clearer ideas where Gadamer stands, however, if we turn to a recent essay by G. B. Madison on the economic relevance of Gadamer's philosophy. Here Madison tells us that there are no "facts in themselves" on the Gadamerian view, for "as we have now come to realize in the philosophy of science: all facts are theory-laden. . . . Facts are products of interpretation." All knowledge, for Gadamer, is merely intersubjective: "The 'objective' is the intersubjectively agreed upon, the result of agreement reached through conversation and dialogue on the part of a community of historically formed and culturally embedded subjects" (Madison, 5). Economic reality, in particular, "does not exist, in any purely objective sense of the term" (Madison, 12).[46]

Gadamer's (or Madison's, or Rorty's, or McCloskey's) line is of course all too familiar: it is a manifestation of a recurrent skeptical-relativistic tendency in the history of philosophy. Given its contemporary importance, however, it is necessary to say a few words as to why skeptical relativism (in all its manifold forms) has been granted at best transient house-room by philosophers in the past. Recall once more our remarks on Menger versus the German historicist economists above. Because, the skeptical relativist argues, the scientist is himself bound to a specific time and culture, and because his acts of gaining putative knowledge are themselves merely dependent moments of larger cultural-historical wholes, objective science—as this was conceived, for example, by Aristotle—is impossible. However much the scientist might strive to obtain knowledge of the structures of, say, morphemes, or molecules, or markets, he will never be able to break out of the confines of his ephemeral cultural world in such a way as will allow him to grasp the structures of these things themselves. However much the scientist might strive to express his knowledge in clear, unequivocal terms, the content of

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what he says will be strictly speaking unintelligible to scientists in other cultures or in other times or places.

The argument against a thesis of this sort is of course all too obvious: either what is being said here is itself of merely parochial validity (so that there might be cultures where science in the strict sense is possible after all), or the thesis is of universal validity—but then it is itself such as to fall outside the scope of the hermeneuticist's relativism. Gadamer's response to this argument is as follows:

> However clearly one demonstrates the inner contradictions of all relativist views, it is as Heidegger has said: all these victorious arguments have something about them that suggests they are attempting to bowl one over. However cogent they may seem, they still miss the main point. In making use of them one is proved right, and yet they do not express any superior insight of any value. That the thesis of skepticism or relativism refutes itself to the extent that it claims to be true is an irrefutable argument. But what does it achieve? The reflective argument that proves successful here falls back on the arguer, in that it renders the truthfulness of all reflection suspect. It is not the reality of skepticism or of truth dissolving relativism, but the claim to truth of all formal argument that is affected. (1975, 309ff.)

—which seems to amount to a claim to the effect that the argument in question is, to be sure, valid, but because it is not *deep*, it has to be dismissed.

## *Austrian Relativism*

It is difficult to see why a proponent of Austrian economics should want to embrace a doctrine so dangerously close to relativism as the hermeneuticist doctrine seems to be. I am thinking particularly of a quite remarkable paper by Don Lavoie entitled "The Present Status of Interpretation in Economics" (1986), a paper which I treat here as symptomatic of a wider trend. I do not deny that there is much in this paper with which one can agree. Its diagnoses as to the present state of economics are both important and profound. Lavoie has a clear grasp of the fact that philosophical beliefs—for example about what arguments or methods are more or less "sophisticated" in a given science—may have unintended negative consequences over time. And he is correct in supposing that too heavy reliance on a rather naive positivistic theory of evidence and verification, combined with an almost exclusive reliance on one or other form of mathematical modelling, has had cumulative negative consequences of this sort within the mainstream of contemporary economics. It is salutary to see him plead that economists should become conscious of the ways in which they use verbal modes of expression and verbal reasoning in their work. For as Lavoie points out, the more economists are trained in purely mathematical methods, the less will they be capable of defending (and understanding) these very methods themselves. Only with the aid of a prior conception of the qualitative nature of certain basic economic phenomena, we might say, will the economic scientist know what he is building models of; and

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only then will his conclusions be capable of being tied down once more to the economic reality that exists outside the theory.

But all of this implies, surely, that a proponent of Austrian economics should be seeking just that sort of theoretical foundation of economics which Menger attempted to provide: a *grammar of economic reality* in whose terms specific empirical hypotheses can be formulated and specific mathematical models be given concrete interpretation. Such a foundation cannot itself be derived either from empirical investigations of the more usual sort or from mathematical analyses. It must rather be derived at least in part from that familiarity with particular economic phenomena which we are all able to acquire as economic agents. By paying attention, for example, to how individual choices and decisions are made and how individual expectations are built up and transmuted over time, we are able to establish at least some of the basic components involved in the larger structures of economic reality.[47] We may thereby, by degrees, be able to develop a more adequate conception of this reality, which may in turn make possible formal theorizing which is not remote from the practical questions with which the science of economics begins.

Lavoie's prescription for improvement, however, is not that we should seek a better theoretical economics in the spirit of Menger or Brentano (or even Saussure).[48] Lavoie cannot hold such a view, for he sees the theoretical dimension of Austrian economics always in terms of what he calls "extreme apriorism," "the attitude that the Austrian methodology permits the theorist to spin out theories deductively, fully confident that no empirical fact will ever refute an a priori theory" (22)—an idea that is clearly formulated against the background of the Kantian view of the a priori.

Lavoie's preferred recipe is that economists should immerse themselves in modern German hermeneutics. Indeed the bulk of his paper consists in his pointing to faults of contemporary economics which are avoided by the hermeneutic philosophy. What he does not mention is that hermeneutics has faults of its own. Moreover, even its purported benefits are not exclusive to the hermeneutic tradition. Lavoie tells us for example that:

> Hermeneutical philosophy suggests that the social language in which we come to consciousness in the world contains a power to express ideas that goes beyond what its speaker can consciously know, and that for this reason deliberately precise artificial languages are for some purposes inferior instruments of understanding. (8)

Wittgenstein, Fleck, Polanyi, and Hayek—all of them proponents of that Austrian sociologizing epistemology mentioned above—have made just this point, and in a language more accessible than that of the hermeneuticists (if only in the sense that one does not have the feeling, when reading these authors, that gratuitous obstacles to intelligibility have been set in the path of the reader). Lavoie goes on to point to "hermeneutical" theses concerning the historical and social constraints on the scientific process, theses which, as he knows full well, have been formulated also—and again more clearly, and more economically—by philosophers of sci-

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ence such as Lakatos and Kuhn. Yet are these theses so important? Does the undeniable fact that scientists are subject to various kinds of social and institutional and emotional pressures really tell us more than what we know already, namely that science is a difficult business and that a large dose of serendipity will play a role in determining which problems are tackled first (or tackled at all) and therefore also which areas of reality are eventually illuminated by the scientific process?[49]

Most regrettable of all, however, is Lavoie's claim to the effect that:

> The roots of modern hermeneutics trace to precisely the elements of German philosophy in which the original Austrian school was immersed.... Hermeneutics is in my view the missing link in the modern American Austrian movement. It reconnects Austrians to their roots in the German language from which their English language training in economics had been artificially disconnected. (25)[50]

* * *

Let us return, for one moment, to Lavoie's analysis of the current state of economic science. Surely his theses here as to the delcterious consequences of certain ways of proceeding make sense only if there is some standard, something against which one could at least in principle measure what is here better or worse. What could this standard be, if not adequacy to the facts of that everyday ground-level economic reality with which we are all more or less familiar? Yet it is precisely the possibility of such a standard which hermeneuticists deny. On what basis, then, can they prefer one way of doing economics rather than another? If, as they claim, a science like economics resolves itself into merc conversation, into a play of mutually impenetrable "interpretations," then it is difficult to see what reason one might have for criticizing the mathematical conversation that dominates late twentieth-century economics. Lavoie has allowed himself to be misled from his sure grasp of the fact that this mathematical way of proceeding has somehow led economists astray—has shorn them apart from the facts of economic reality—to the rejection of the idea that such an economic reality exists at all.

Or perhaps I am wrong. Perhaps Lavoie continues to believe in economic facts which economic theory must do its stumbling best to describe. Sometimes, for example when he is offering case studies in economic history, one gets the impression that he is indeed striving to establish and to promote such a theory. But why, then, does he take seriously a view which seems, in the end, to reduce economics to a sort of literary criticism of economists' conversations?

NOTES

1. See Grassl and Smith 1986 and the references there given.
2. These textbooks were imposed on all universities in the Empire by the state authorities in Vienna. For more details see Haller 1986 and Sauer 1982.

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3. Of course nothing is as simple as one might wish. As the case of Herbart makes clear, there were on both sides exceptions to and discontinuities in the general tendencies referred to in the text, and the most important of these will be mentioned in passing below. For a more rounded picture see, again, Sauer 1982, which makes clear just how much – and how little – was known of Kant in Austria at the time when his influence in Germany was most intense.
4. To talk of "Austrian" and "German" philosophy at all is, admittedly, an oversimplification. It is an even greater oversimplification, however, when Austrian philosophy and Austrian philosophers are simply ignored, as has all too often happened in the past.
5. Consider, as an example, the following passage from the work of Hans-Georg Gadamer, who is here summarizing Hegel:

   > the progression to Becoming cannot be taken as a development in dialectical determination. If, as thought now determines, the difference of Being and Nothing is at the same time their complete lack of difference, then the question how Becoming emerges out of Being and Nothing no longer makes any sense at all. For such a question would certainly imply that there was a thinking which, in a manner of speaking, had not begun to think. Taken as thoughts for thinking, Being and Nothing are not at all determinations of thought. . . . Empty thinking is thus thinking which is not yet that which thinking is at all. And, as a matter of fact, in this way the merging together of Being and Nothing in Becoming can easily be seen to be the proper truth for thought. (1976, 88ff.)

6. On Austrian philosophy in general see Haller 1979, 1981, 1986, and Nyiri, ed., 1981 and 1986. On its stylistic moments and on those of classical German philosophy see Mulligan (forthcoming), and my 1991.
7. Brentano was in fact a native of Germany, though, as we shall see, he was the founder of what is from our present perspective the most important stream of modern Austrian philosophy. The principal flaw in Janik and Toulmin's book (1973) is that it neglects the profound influence of Brentano, and Diamond (1988) is for the same reason of restricted value.
8. See especially the latter's *The Counter-Revolution of Science* (1952).
9. Fleck was born in 1896 in Lemberg (Lwów), capital of Galicia on the Eastern fringes of the Empire. He was the author of some 200 scientific papers in the areas of medicine and microbiology. But he was also the author of a longer, philosophical work, published in 1935, entitled *Genesis and Development of a Scientific Fact: Introduction to the Doctrine of Cognitive Style and of the Thought-Collective*. This work is of interest not least because, as a contribution to the nascent discipline of "sociology of science," it anticipated and perhaps even served to inspire some of the now so influential ideas of Thomas Kuhn. (Kuhn in fact contributed a preface to the English translation of the work.)

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10. Cf. Nyiri 1986. Certainly there were German thinkers, above all Helmholtz, Hertz and Hilbert, who made important contributions to the development of a modern scientifically oriented philosophy. But these were, in contrast to their counterparts in Austria, philosophically isolated figures who gave rise to no philosophical movement or school.
11. Consider Windelband's famous description of Locke's philosophy as "shallow" (*seicht*). Consider, too, the enormous difference in style as between Mach on the one hand and such German-inspired philosophers as Schuppe or Avenarius on the other.
12. It is worth pointing out, though, that there were isolated thinkers in Germany—in particular Humboldt and Herder—who were conscious of the stylistic inadequacies of their compatriots. Moreover, there were cases of Austrian philosophers who occasionally took on some of the stylistic habits of the Germans. On all of this see, again, Mulligan (forthcoming), especially his treatment of the philosophical style of the later Husserl.
13. See Reinach 1911 and the discussions in Smith 1982 and 1986.
14. This influence made itself felt especially in the movement of *Ganzheitspsychologie* or "integral psychology" founded by Krüger, Jaensch, and others in Leipzig, which was in some respects parallel to the Gestaltist movement growing out of the work of Brentano, Ehrenfels, Wertheimer and Stumpf. The *Ganzheitspsychologen* shared with the Gestaltists a rejection of psychological atomism, but the two schools diverged radically in their views as to what ought properly to take its place. The members of the Leipzig school embraced what we might call a mystical holism, a thesis to the effect that the wholes (*Ganzheiten*) of psychological experience are *sui generis* and are capable of being grasped only in the context of this very experience. The Berlin Gestaltists, in contrast, embraced what we might call an intelligibilist holism: the very same types of wholes as are to be found in mental experience are present also in the physical realm; the methods of physical and psychological science thereby form a single continuum, though in a way which importantly does not imply any reduction of the one to the other.
15. Cf. Nyiri 1989.
16. Cf. Mulligan and Smith 1988.
17. See Brentano 1982. The term "proto-discipline" or "proto-science" (*Vorwissenschaft*) I take over from the writings of Brentano's student Stumpf. The proto-science of psychology is "descriptive" for Brentano in the same way in which, for example, anatomy is a descriptive proto-science of biology.
18. This section summarizes a thesis defended in more detail in Smith 1987.
19. This was for dubious legal reasons connected with his marriage, since he was an ex-priest. It is one of the tragedies of Austrian philosophy that, due to the repeated interventions of the Emperor, Brentano was not reappointed to a professorial post in Vienna after his marriage, despite the fact that, year after year, his re-election to such a post was carried *unico loco* by the faculty itself.

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20. In this light, it is interesting to note that the major centers of Brentanian or of Brentano-inspired thought established around the turn of the century were in precisely those four cities – Vienna, Prague, Lemberg and Berlin – which were to become, in the 1920s and 1930s, the principal centers of modern scientific philosophy in continental Europe.
21. For further details see Grassl 1983 and Fabian and Simons 1986, where complete references are provided.
22. On the reasons why the Brentanians came to develop the project of a general theory of value see Fabian and Simons 1986.
23. Cf. Kraus 1905, 1937.
24. See also Shearmur 1986 and the references there given.
25. See Smith and Mulligan 1982, esp. 3ff.
26. See also the papers collected in Mulligan, ed., 1987.
27. It would be interesting to compare Reinach's work with more recent attempts to understand normative statements on the basis of a theory of natural rights. Something very similar to Reinach's categorial ontology may be extracted also from the work of Popper and Habermas on the theory of communicative action. See Shearmur 1988.
28. An interesting curiousity in this respect is the economic work of Karl Wittgenstein, father of Ludwig. See Nyiri, ed. 1984.
29. Personal communication.
30. Schütz was also a teacher of Mises.
31. Here, too, there is some oversimplification, since Brentano and his heirs constituted at best a very loose collection of thinkers who sometimes quarrelled violently amongst themselves. In retrospect, however, we can see that their agreements and mutual influence are more considerable than they themselves realized at the time, and it is this which justifies our talk of a "Brentanian tradition" in Austrian philosophy.
32. Cf. Aristotle's account of the role of *noûs* as the taking in of structure in cognition.
33. See e.g. Burkhardt 1980, 134ff.
34. See, again, Reinach 1911 and the discussions in Smith 1982 and 1986.
35. Traces of the doctrine may be present also in the work of the Gestaltists, for example in the doctrine of the *Prägnanz* of certain sorts of structures in physical reality that is defended by Köhler (1920).
36. As Husserl puts it:

> It is not a peculiarity of certain sorts of parts that they should only be parts in general, while it would remain quite indifferent what conglomerates with them, and into what sorts of contexts they are fitted. Rather there obtain firmly determined relations of necessity, *contentually* determinate laws which vary with the species of dependent contents and accordingly prescribe one sort of completion to one of them, another sort of completion to another. (1900/01, vol. II, A244ff., Eng. 454)

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37. I do not have a theory of intelligibility, and it may be that it is necessary to distinguish a variety of different forms of immediate experience. First beginnings in this direction are to be found in the writings of Husserl and Reinach; relevant, too, would be the writings of Köhler, Wertheimer and J. J. Gibson, perhaps also those of Merleau-Ponty.
38. See, on this, especially Delius 1963.
39. For a more detailed account of these matters see Holenstein 1975, 1986.
40. This is not, be it noted, to deny that the scientist may not manifest what is normally called "creativity." But it is surely absurd to suppose—as Polanyi and Kuhn seem occasionally to do, and as various idealist philosophers have done before them—that the scientist hereby literally *creates the world.*
41. Perhaps in conjunction with something like the "naive physics" propounded by Patrick J. Hayes and others in Hobbs and Moore, eds. 1985.
42. It is difficult to foresee how far such revision might go. Could further research in economics lead us to conclude, for example, that methodological individualism is false?
43. See again Shearmur 1988.
44. Cf. Grassl 1986.
45. This is notwithstanding the occasional adversion (or animadversion) in Mises's writings to the works of Dilthey and Weber. For when one seeks to establish what is central to Mises's practice in economics, then one finds that it is not thinkers such as these who are important, but rather Menger, Wieser, and through them the Aristotelian-Brentanian aprioristic tradition described in the text. And even Hayek, whose "central theory" has been characterized as fundamentally Kantian in nature (Gray 1986, 12), ought more properly to be seen against the background of this Austrian tradition. See, on this, my 1990.
46. Brentanian "hermeneutics," in contrast, rests on the idea that the "ultimate aim of the history of philosophy must always be the exposition of truth." See Hedwig 1987.
47. Historical studies such as are described in Lavoie 1987 would almost certainly be of value here.
48. McCloskey, too, in his all too brief treatment of Saussurean thinking (1985, 62–4), has noticed the deep parallel between linguistic and economic science, a parallel which he unfortunately abandons in favor of a much less interesting comparison between economics and literary criticism (as if the principal message of Saussure's work in linguistics should have been that linguists ought henceforth to engage in a sort of literary criticism of the writings of other linguists).
49. Cf. Steele 1987a and 1987b.
50. A similar confounding of the quite different intellectual traditions of Austria and Germany is manifest also in McCloskey 1985, 39.

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*Elias L. Khalil*

# RATIONALITY AND SOCIAL LABOR IN MARX

*Textual exegesis is used to show that Marx's concept of social labor is transhistorical, referring to a collective activity of humans as a species. The collective nature of labor is suspended in capitalist production because of the anarchic character of market relations. But the suspension is skin deep: The sociality of labor asserts itself in a mediated manner through the alienated empowerment of goods with value. This is commodity fetishism, which vanishes when relations of production become actually collective—matching the transhistorical essence of labor.*

*Marx's concept of social labor is adjudged inadequate. It amounts to asserting that the actions of agents could be* ex ante *calculated according to a global rationality. In this respect, Marx's concept of social labor is reminiscent of the equally deficient notion of perfect competition in mainstream neoclassical economics.*

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It is recognized that Karl Marx's concept of social labor is a fundamental bedrock—along with his concept of abstract labor—of the law of value, referred to usually as the labor theory of value (LTV). In this essay I offer a different interpretation of the concept of social labor by relating it to a much neglected topic in Marx's economics, viz., rationality in the sense of economic efficiency. I highlight Marx's collectivist approach, yet argue that it does not differ, in one respect, from the neoclassical version of methodological individualism.

Marx's concept of social labor denotes that laboring, in the transhistorical sense, amounts to the rational control of society, as a collective, over the allocation of resources. Market exchange is the epitome of irrationality since it is ruled by the anarchy of competition, rather than conscious regulation. This assessment is compatible with Andrzej Walicki's approach to the whole of Marx's edifice.[1] However, I base it exclusively on the mature Marx, and on his scientific economic theory, for that matter. Thus, my thesis cannot be dismissed as relevant only to the young, non-scientific Marx by the followers of Louis Althusser.[2]

For purposes of conceptual clarity, I do not delve into Marx's discussion of capital accumulation. Rather, I stick to the explication of the foundations of LTV. For purposes of brevity, I do not, for the most part, engage in polemics with other, especially Marxist, interpretations. There is hence an opportunity to recast the issues in a new, fresh way.

I attempt to contribute additional clarity to the discussion by drawing a fundamental distinction between the main conceptual pillars of LTV: the concepts of social labor and abstract labor. The two concepts, confused by many authors,[3] are distinct.[4] Stated briefly, the concept of abstract labor is concerned with locating a common measure of value, which is possible in societies with advanced technology or forces of production. It answers the question whether forces of production are advanced enough to allow the abstractness of labor to be actual. In contrast, the concept of social labor is concerned with the problem of coordination, or the relations of production among interdependent producers. It deals with the question whether production activities are related through irrational market or rational collective plan.

I argue that for Marx, labor actualizes its social essence when relations of production are coordinated by rational planning. In a sister paper, I contend that, for Marx, labor actualizes its abstract essence when forces of production dominate nature.[5] Thus, the two concepts address different problems: Social labor deals with relations of production in regard to the coordination of labor-time among diverse activities; abstract labor considers the development of forces of production and the consequent organization of labor according to abstract principles.[6]

According to Marx, social labor or rationality takes disparate forms in different modes of production. This calls for a distinction between *particular* and *generic* aspects of a mode of production.[7] The opposition is interchangeably posed as *historical* vs. *transhistorical*, *actual* vs. *real*, and *appearance* vs. *essence*. While a given mode of production shares with others a generic or tranhistorical essence, it has a particular historical appearance. That is, each mode of production has *twin* levels

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of existence. However, for Marx, the essence is more fundamental than the appearance: hence the two levels are asymmetrical. Furthermore, in non-socialist modes of production, the particular appearance contradicts the transhistorical essence.

In capitalist production specifically, the appearance of private market exchange betrays the essence of social or collective labor. In contrast, in pre-capitalist and socialist modes of production, where coordination is rationally planned, the appearance conforms with the essence of social labor.

The paper is divided into three parts. Part I maintains that social labor expresses the essence of production, which is collective. That is, production should be comprehensively planned in order to be true to the essence of the human species. Part II examines the status of social labor in two types of production. First, in capitalist production, the social essence of production is repressed by market anarchy, which gives occasion to commodity fetishism. Second, in pre-capitalist and cooperative modes, the collectivist essence is actually practiced, and hence there is no ground for commodity fetishism.

Part III offers a critique of the idea of social labor. I do not object to a transhistorical conception of the coordination problematic *per se*. Rather, I find that Marx's conception of it is untenable, since it views humans as transhistorically capable of a global rationality which could master the problem of coordination. Although different from mainstream neoclassical economics, the Marxian notion of social labor is, in one respect, similar to the mainstream notion of perfect competition and shares its inadequacies.

## I. FOUNDATIONS OF "SOCIAL LABOR"

### *Social Labor: A Generic Concept*

The word "social" has been employed excessively in academic discourse to the point of denoting exorbitantly different meanings. This might explain the ambiguity which still surrounds Marx's concept of social labor. For example, the word "social" in the expression "socially necessary labor time" denotes simultaneously *average* productivity and the *magnitude/composition* of goods needed by society—which are two different things. Furthermore, the word "social" in the expression "social formation" expresses the inner *relatedness* of humans in a society. The word "social" has also been used in the sense of the negation of the realm of biological necessity and the emergence of *freely determined* need. More pertinently, the word "social" has been widely used by Marxists and others to mean *historical* as opposed to transhistorical. That is, it is used to describe a trait or an institution as being conventional rather than natural, acquired rather than inherited, learned rather than biological, transient rather than fixed, extrinsic rather than intrinsic, or originating from nurture rather than nature.

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However, in Marx, the expression "social labor" is transhistorical. Marx uses it *not* in opposition to what is natural or transhistorical. Rather, the word "social" is invoked in opposition to what is historically specific.

For instance, Marx states that "the capitalist process of production is a historically specific form of the *social* production process in general."[8] This is an unambiguous reference to the transhistorical social character of production. For Marx, an agent cannot escape from the tranhistorical condition that he produces for others, which he calls "social." However, in capitalist production, an agent produces for the market, and hence his labor is *not* "directly social."[9] In contrast, labor in the "patriarchal rural industry of a peasant family" is "directly associated labour," and hence actually "collective labour." In such a family, "the different kinds of labour which create . . . products . . . are already in their natural form social functions."[10] In other words, unlike capitalist production, the specific kind of labor in such a family *already* matches the "social" essence.

In another context, Marx refers to the "social" in contrast to the "specific manner" in which labor is established.[11] Another indication that social labor is considered a generic concept is in reference to how capital and wage-labor are "specific social characters which the social production process stamps as individuals."[12] In another place, Marx calls the "specific social character" of labor in capitalist production "private" labor.[13] This indicates that Marx considers all modes of production to share a common essence, the sociality of labor, but that he distinguishes among them according to the historical form of the common essence: Does the specific form conform with the social essence or is it private?

All modes of production share the social essence since they all face the same problem, viz., the allocation of labor among industries according to the composition of needs of society. Marx considers this problem a "law of nature," as much as the "law of gravity":

> All the different kinds of private labour . . . are continually being reduced to the quantitative proportions in which society requires them. The reason for this reduction is that in the midst of the accidental and ever-fluctuating exchange relations between the products, the labour-time socially necessary to produce them asserts itself as a regulative law of nature. In the same way, the law of gravity asserts itself when a person's house collapses on top of him. The determination of the magnitude of value by labour-time is therefore a secret hidden under the apparent movements in the relative values of commodities.[14]

Again, in a letter to Kugelman (dated July 11, 1868), Marx could not be more precise than when he characterizes the "distribution of social labor" in a society as being subject to transhistorical "natural laws" that cannot be abolished:

> Every child knows . . . that the volume of products corresponding to the different needs require different and quantitatively determined amounts of the total labour of society. That this *necessity* of the *distribution* of social labour in definite proportions cannot possibly be done away with by a *particular form* of social production but can only change the *mode* of its *appearance*, is self-evident. Natural laws cannot be

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> abolished at all. What can change in historically different circumstances is only the *form* in which these laws assert themselves.[15]

That is, the *form* of the generic law of the allocation of labor is the only thing which changes. The problem of the allocation is generic because laboring is social in all societies.

The passage above affirms the *twin* levels of Marx's analysis of any mode of production: the generic law of coordination of social labor and the specific form of the law. Moreover, it shows that the transhistorical law is more fundamental than the "form" in which it asserts itself. That is, essence and appearance relate in an asymmetrical fashion.

In another place, Marx again affirms the twin levels of a mode of production. As in other modes, the transhistorical level in capitalist production is the "overall social labour-time, the total amount of labour which society has at its disposal." The historical level is the "particular form" of "social labour-time," viz., wage-labor and capital:

> Even though the form of labour as wage-labour is decisive for the shape of the entire process and for the specific mode of production itself, it is not wage-labour that is value-determining. What matters in the determination of value is the overall social labour-time, the total amount of labour which society has at its disposal and whose relative absorption by the different products determines, as it were, their respective social weight. But the particular form in which social labour-time plays its determinant role in the value of commodities coincides with the form of labour as wage-labour, and the corresponding form of the means of production as capital.[16]

Elsewhere, he recognizes something "common to all social modes of production":

> If both wages and surplus-value are stripped of their specifically capitalist character—then nothing of these forms remains, but simply those foundations of the forms that are common to all social modes of production.[17]

The element common to all social modes of production is social labor, which is violated at the level of appearance in the capitalist mode. In other modes, the level of appearance accords with the common social labor. Marx calls the level of appearance in such modes social labor as well.

The use of the same expression, "social labor," to denote the essence and appearance of non-capitalist modes may have created some confusion. It may have led to its misinterpretation as denoting only a historically specific concept. For example, in relation to "production time," Marx considers the problem common to "social production just as with capitalist production." Here, the expression "social production" denotes the appearance level of some modes of production, which is contrasted to "capitalist production."[18] In another text, Marx similarly contrasts the historically specific "private property" to other historically specific forms of "social, collective property":

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> Private property, as the antithesis to social, collective property, exists only where the means of labour and the external conditions of labour belong to private individuals.[19]

In the same discussion, Marx again contrasts historically specific "social property" with "capitalist private property":

> The transformation of scattered private property resting on the personal labour of the individuals themselves into capitalist private property is naturally an incomparably more protracted, violent and difficult process than the transformation of capitalist private property, which in fact already rests on the carrying on of production by society, into social property.[20]

However, such a contrast does not mean historical modes do not share a commonality. In fact, Marx indicates that historical appearances are forms of the generic "social production."[21] Thus, the word "social" denotes as well the generic character of production.[22]

### *The Necessary Condition: The Single Subject*

The thesis that social labor is generic does not specify its nature; it is thus innocuous. The trouble arises in regard to Marx's *particular* conception of it.

Social labor means that the human community is a single, collective subject which in capitalist relations becomes fragmented by the market. This is clear in Marx's discussion of the law of value. He argues that the isolated Robinson Crusoe is a good illustration of the determinants of value: "All the relations between Robinson and . . . objects that form his self-created wealth . . . contain all of the essential determinants of value."[23] Given Marx's collectivist orientation, the appeal to Robinson—the hero of methodological individualists—is startling. For instance, Marx ridicules Adam Smith and David Ricardo for starting with the "isolated hunter and fisherman," which "belongs among the unimaginative conceits of the eighteenth-century Robinsonades."[24] However, Marx's statement in *Capital* that Crusoe is the proper starting point cannot be dismissed as an aberration. As regards the "economy of time," the problem which faces society is "just as" the problem which faces the individual:

> Economy of time, to this all economy ultimately reduces itself. Society likewise has to distribute its time in a purposeful way, in order to achieve a production adequate to its overall needs; just as the individual has to distribute his time correctly in order to achieve knowledge in proper proportions or in order to satisfy the various demands on his activity.[25]

The economy of time is a generic problem which lies behind "the mystery of commodities." The study of "other forms of production," like that of Robinson, must be undertaken in order to solve the mystery:

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> The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour on the basis of commodity production, vanishes therefore as soon as we come to other forms of production.
>
> As political economists are fond of Robinson Crusoe stories, let us first look at Robinson on his island. Despite the diversity of his productive functions, he knows that they are only different forms of activity of one and the same Robinson, hence only different modes of human labour. Necessity itself compels him to divide his time with precision between his different functions. Whether one function occupies a greater space in his total activity than another depends on the magnitude of the difficulties to be overcome in attaining the useful effect aimed at. His stock-book contains a catalogue of the useful objects he possesses, of the various operations necessary for their production, and finally of the labour-time that specific quantities of these products have on average cost him. All the relations between Robinson and these objects that form his self-created wealth . . . contain all the essential determinants of value.[26]

That is, Robinson solves the generic economy of time in light of three axioms:

1) a given basket of products (right-angled preference curves);
2) a given kit of operations of production (fixed-input coefficients);
3) a given average labor-time of production (fixed-labor coefficients).

As regards Axiom 1, there is no substitution among consumption goods since "necessity itself compels him to divide his time with precision between his different functions." Marx's reference to a "catalogue" shows the *given* character of the three axioms. Axioms 2 and 3 can be combined into one, given factor coefficients. In sum, Marx proposes a model where both techniques of production and output are given.

But how does this model square with Marx's anti-atomistic orientation? Certainly, society is not an aggregation of "Robinsonades."[27] However, Marx's concept of Robinson Crusoe appears to differ from the textbook version. He does not view Robinson as the isolated individual, but rather as a totality which exemplifies society. In the last selection above he states that Robinson's "productive functions . . . are only different forms of activity of one and the same Robinson." This signifies that the productive functions of different laborers are only different forms of activity of one and the same society. Put differently, Marx does not aggregate the individual Robinsonades, but rather disaggregates the total Robinson. In this manner, the different functions of Robinson are the functions of laborers. This entails that Marx generically views society as a single collective, as if the collective charts the function of its constitutive members.[28]

In a remarkable paragaph, Marx asserts that the invisible hand, a most favored metaphor of mainstream economists, has to work in all modes of production, because individual action, even in market exchange, is ultimately charted by "social condition independent" of individual designs:

> This reciprocal dependence [of the productive activities of individuals] is expressed in the constant necessity for exchange, and in exchange value as the all-sided mediation. The economists express this as follows: Each pursues his private interest

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> and only his private interest; and thereby serves the private interests of all, the general interest, without willing or knowing it. The real point is not that each individual's pursuit of his private interest promotes the totality of private interest, the general interest. One could just as well deduce from this abstract phrase that each individual reciprocally blocks the assertion of the others' interests, so that, instead of a general affirmation, this war of all against all produces a general negation. The point is rather that private interest is itself already a socially determined interest, which can be achieved only within the conditions laid down by society and with the means provided by society; hence it is bound to the reproduction of these conditions and means. It is the interest of private persons; but its content, as well as the form and means of its realization, is given by social condition independent of all.[29]

That is, coordination of economic decisions in capitalist production does *not* stem from what is particular (private labor), but rather from what is generic (social labor). Thus, Marx understands the invisible hand differently: it works in spite of market exchange, not because of market exchange.[30]

Thus, the idea of Robinson as a totality exemplifies Marx's concept of the human community as a single subject which coordinates human activity. Marx calls the "association of free men . . . one single social labour force," and that association repeats "all the characteristics of Robinson's labour." In modes of production where the singularity of the social labor force is historically actual, free men work

> with the means of production held in common, and expend . . . their many different forms of labour-power in full self-awareness as one *single* social labour force. *All* the characteristics of Robinson's labour are repeated here, but with the difference that they are social instead of individual. All Robinson's products were exclusively the result of his own personal labour and they were therefore directly objects of utility for him personally. The total product of our imagined association is a *social* product.[31]

In this "imagined" mode of production, actuality expresses the singularity of social labor. Its "social" products resemble "Robinson's products," since, like Robinson, it resolves the generic problem of allocation. This implies that individuals, by their generic nature, associate in a manner which resembles the interrelation of Robinson's functions. The only difference is that the labor force is susceptible to be ruptured at the actual level, which in fact happens in capitalist production.

Marx discusses the problem of the allocation of labor-time in terms of "society" making decisions in ways which are not different from how an individual makes decisions: "the society distributes labour power and means of production between the various branches of industry."[32] The family is a prime instance of joint labor-power as a single subject. Marx appeals to the harmonious family as an example of the generic problem of allocation of time,[33] while comparing capitalist production to a deformed family:

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> Just as a Manchester family of factory workers, where the children stand in the exchange relation towards their parents and pay them room and board, does not represent the traditional economic organization of the family, so is the system of modern private exchange not the spontaneous economy of societies.[34]

The atomistic framework of neoclassical economics, which commences with the average individual, is far different from Marx's collective approach. Put in simplified terms, the former tradition conceives the market as the sum of the choices made by single subjects; while the latter approach views production activity of individuals as charged by one single subject, society. While neoclassical economic theory has to aggregate decisions, Marx's framework has to disaggregate decisions. However, these opposite approaches are similar. Both traditions, at the highest theoretical level, begin with single subjects. In one case, it is the isolated agent; in the other case, it is the self-defined society. For Marx, the single subject of Robinson, family, or any mode of production needs to be dissected in order to attain "economy of time." For orthodox economists, the single subject of the representative household/corporation needs to be added up in order to find out how society as a whole solves the problem of scarcity. According to both, the problematic facing Robinsonian, familial, capitalist, and cooperative modes of production is the same. Namely, given the techniques of production, endowments, and the composition of needs or tastes, how to allocate given labor-time or resources? While the two modes of analysis differ in the all-important details, the similarity of the basic question posed by the two approaches stems from starting with a self-contained, single subject.

Marx's view of society as a single subject does not mean merely that people live with each other and hence depend on each other; rather, laborers form a single will similar to the will of an individual. Just as the individual is indivisible, so is, or should be, the human community in general.

## *The Sufficient Condition: The Rational Subject*

Besides the idea of a single subject, social labor denotes absolute rationality with respect to the coordination problematic. This rationality, however, is mutilated in capitalist production: "We have repeatedly shown how wages or the price of labour is simply an irrational expression for the value or price of labour-power."[35] Wages are irrational *not* because of exploitation, but rather because the sale of labor power is not consciously controlled. Similarly, ground rent is called "unconscious" since it is a category of the "unintentional" market.[36]

The market engenders things which are independent of conscious control:

> Men are . . . related to each other in their social process of production in a purely atomistic way. Their own relations of production therefore assume a material shape which is independent of their control and their conscious individual action.[37]

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Thus, market exchange is akin to a sleepwalking or unconscious individual. In another context, Marx calls market exchange "social division of labor" as opposed to "manufacture division of labor," exchange within the corporation. He unambiguously characterizes manufacture division of labor, epitomized by the factory system, as rational.[38] Apart from his objection to capitalist despotism, Marx welcomes the factory system, since it coordinates "the labour of society in accordance with an approved and authoritative plan."[39]

In the system of "freely associated men," the authoritative factory is writ large, since such men place production "under their conscious and planned control." Consequently, the veil is removed so that the essence of the relation "between man and man" is historically actual, and hence "transparent" in a "rational form."[40] That is, "the 'social state,' " meaning the collective state, "will direct production from the outset . . . the sphere of production—the supply and the use-aspects thereof—is rationally regulated."[41] Then, "the offspring of association . . . distrubutes labour internally."[42] This is the case because the single social force possesses a "full self-awareness."[43] This affords a rational plan, which is the natural base for a society.[44] That is, centralized or social production is in accordance with rationality.

## II. "SOCIAL LABOR" AND MODES OF PRODUCTION

### *The Capitalist Mode of Production: Social Alienation*

There is one mode of production, the capitalist system, which negates rationality and social labor. In capitalist production, "the whole negation of . . . [the laborer's] natural existence is already implied."[45] With respect to coordination, Marx considers private capitalist exchange in opposition to modes characterized by political subordination (pre-capitalist formations) and free association of individuals (the cooperative formation):

> The *private exchange* of all products . . . stands in antithesis not only to a distribution based on a natural or political super- and sub-ordination of individuals to one another . . . but also to free exchange among individuals who are associated on the basis of common appropriation and control of the means of production.[46]

The quintessence of capitalist production is private exchange: "The essence of bourgeois society consists precisely in this, that *a priori* there is no conscious social regulation of production."[47] That is, it is *quid pro quo* which differentiates capitalist from other modes. The anarchic market engenders the category "value" and its derivatives, like exchange value and money, which make a product into a "commodity." Marx commences *Capital* with the commodity and its exchange value,

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which signifies the conceptual priority of market exchange (as opposed to the capital circuit, M-C-M′, or exploitation) as the apotheosis of capitalism.[48]

The exchange value of commodities is a force that replaces generic social labor after the latter is contravened by unconscious private exchange. In this manner, the generic problem of proportional distribution of labor is solved:

> The form in which this proportional distribution of labour asserts itself, in a social system where the interconnection of social labour manifests itself through the *private exchange* of products of labour, is precisely the *exchange value* of these products.[49]

"Exchange value" is the form that value takes in the web of commodities. That is, value exists prior to exchange value. However, value does not exist under centralized production. Value, and money as far as it represents it, emerge only in decentralized exchange. Marx calls money, after Aristotle, the "dead pledge of society." Marx, however, diagrees with Aristotle: A product can have "value" or be a "pledge" *only* in capitalist exchange. In capitalist production, "individuals have alienated their own social relationship from themselves so it takes the form of a thing."[50] In a society where the transhistorical essence of direct connection is broken, exchange value becomes the "social bond" which "the individual carries . . . in his pocket." This situation is very different from that in which "the individual member of a family or clan (later, community) directly and naturally reproduces himself."[51] When natural exchange is broken, "the pressure of general demand and supply on one another mediates the connection of mutually indifferent persons."[52]

While social essence is broken in private exchange, it is only so at the appearance level. The social essence does not become dormant, but rather actively lurks in the background, affirming its existence through mediation. The transhistorical essence of labor as a rational coordinator is transposed onto goods, now called commodities. The suspension of the power of the single subject to control allocation proves to be superficial, since allocation is mediated through commodities. The product of labor, which is "an object of utility in all states of society," acquires, in a "historically specific epoch," an " 'objective' property," value. It is only in private exchange "that the product of labour becomes transformed into a commodity."[53]

Marx's law of value denotes nothing other than the power of the collective nature of humans, but in an alienated form as a result of private exchange. Thus, despite appearances to the contrary, capitalist relations are essentially run by the social essence of labor, indirectly via commodities. Commodities are nothing other than a reflection of the transhistorical sociality of labor:

> The mysterious character of the commodity-form consists therefore simply in the fact that the commodity reflects the social characteristics of men's own labour as objective characteristics of the products of labour themselves, as the socio-natural properties of these things. Hence it also reflects the social relation of the producers to the sum total of labour as a social relation between objects, a relation which exists

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> apart from and outside the producers. . . . The commodity-form . . . is nothing but the definite social relation between men themselves which assume here, for them, the fantastic form of a relation between things.[54]

That is, the law of value dictates that things (products) become the vehicle of social labor, replacing direct relations among producers. "It is . . . precisely this finished form of the world of commodities—the money form—which conceals the social character of private labour and the social relations between the individual workers, by making those relations appear as relations between material objects, instead of revealing them plainly."[55]

The law of value is but a distorted form of the "law of nature" which addresses the universality of the "economy of time," i.e., the allocation of labor-time to provide needed products. People could manage the law of nature if they plan rationally, as in the cases of Robinson Crusoe, the tribe, and the modern planning collective.[56] In the case of private exchange, people cannot manage the law of nature, and hence it dominates them in the form of the law of value. The Robinsonian model discussed above (given products produced by means of various given techniques) exemplifies the law of nature. The singular, collective will allocates labor-time so that the composition of products matches the given total needs. Each unit of output has a definite social weight which the planning collecive is *aware* of: Given that output matches demand, the social weight is labor-time (adjusted for skill)[57] of the average intensity and productivity necessary to produce a commodity.

The social weight is called "value" in the capitalist mode. For Marx, this category shows that social weight is embodied in the product, rather than in the rational calculations of Robinson or a planning collective. Since social weight is embodied in things, it governs individuals. Things become actors and actors become things. If one disregards such alienation, there is nothing special about the capitalist mode from the standpoint of economics: If people consciously managed the allocation of social weights, the law of nature would be stripped of the deformed law of value.[58]

The law of nature, ultimately, dominates market exchange. The market is only a façade which manifests what has been created by the law of nature:

> The properties of a thing do not arise from its relations to other things, they are, on the contrary, merely activated by such relations.[59]

In other words, value is not created by the sphere of exchange, but rather fulfills indirectly the natural, generic law of social labor.

Since classical economists failed to see value as alienated social weight, they have fallen victim to "commodity fetishism." They have failed to realize that the power of commodities, value, is a historically specific phenomenon of the estrangement of the power of social labor. Value is not an endemic property of use-value like weight, color, and flavor: "so far no chemist has ever discovered

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exchange-value either in a pearl or a diamond."[60] Ricardo fails to see value as a transient attribute because he regards private exchange as generic.[61]

Like Ricardo, the ordinary economic agent has also fallen victim to commodity fetishism. For the agent, "the whole determination of value . . . is something that goes on behind his back."[62] Economic agents hence are oblivious to the true character of commodities; their minds are "trapped in the world of illusion."[63] As a result of anarchic competition, the world is presented in "a distorted way."[64] People are not "aware" of value since it

> does not have its description branded on its forehead; it rather transforms every product into a social hieroglyphic. Later on, men try to decipher the hieroglyphic, to get behind the secret of their own social product: for the characteristic which objects of utility have of being values is as much men's social product as is their language.[65]

Since laborers are not conscious of value, they are controlled by it:

> Although on the basis of capitalist production the social character of their production confronts the mass of immediate producers in the form of a strict governing authority, and the social mechanism of the labour process has received here a completely hierarchical articulation . . . the most complete anarchy reigns among the bearers of this authority, the capitalists themselves, who confront one another simply as owners of commodities, and within this anarchy the social interconnection of production prevails over individual caprice only as an overwhelming natural law.[66]

That is, the rule of commodities reasserts the interconnection of labor, since it is a natural law. Such law functions without economic traders being aware of it. This unconsciousness makes the form of the natural law irrational.

While a natural law cannot be eliminated, it can be managed rationally if human activity is actually collective.[67] In private production, the collective essence has no option other than manifesting itself as a "blind natural force,"[68] or as a "blindly working average."[69] In this case, the will of agents is alienated and subjugated to the power of "things":

> The value character of the products of labour becomes firmly established only when they act as magnitudes of value. These magnitudes vary continually, independently of the will, foreknowledge and actions of the exchangers. Their own movement within society has for them the form of a movement made by things, and these things, far from being under their control, in fact control them.[70]

The power of things over agents is derived from the alienated social bond in bourgeois exchange.[71] Such alienation makes people unfree. While Marx recognizes bourgeois freedom,[72] he soon qualifies his admission, arguing that bourgeois freedom is onion-skin deep.[73] While bourgeois freedom recognizes formal

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independence (impersonal contracts), which is an advancement relative to pre-capitalist "personal dependency," it ultimately masks commodity fetishism.[74]

Commodity fetishism amounts to the transposition of the inner power of the generic producer onto things. I would like to call this form of estrangement "social alienation," since it is engendered by the suspension of social labor.[75] The alienated social essence confronts producers as a domineering external force. A producer suffers from social alienation since the single subject is sundered in private exchange.[76] A producer is ruled by reified entities like value, which has replaced despots, religion, and demons in pre-capitalist production.

In light of the above discussion, the epitome of capitalist production is market exchange. This raises questions in regard to capital domination over labor power, which is derived from the more primordial character of market anarchy.[77] When means of production (labor power, capital, and land) are exchanged in the market, they are considered commodities as well. As such, they are fetishes. Therefore, the exchange-value of means of production (i.e., means of income) is coated by a mystique that hides the exploitative kernel. That is, market exchange fosters the illusion of freedom, and hence contracts of labor services are assumed to be non-exploitative. Thus, capitalist exploitation is a derived feature of the more primordial market exchange.[78]

The thesis that capitalist production is fundamentally characterized by market exchange, and not capitalist exploitation, has ramifications for socialist alternatives. Worker-managed enterprises could not escape the law of value and commodity fetishism if production were still coordinated by the market.[79] Marx would consider the phrase "market socialism" to be a contradiction in terms.[80]

In sum, market exchange is the primary characteristic of the capitalist mode of production. Market exchange and the law of value do not make capitalist production a breed apart from all other modes. The law of value is merely a distorted form of the law of nature governing the allocation of social labor. Commodity fetishism arises from the treatment of the law of value as a generic force, rather than as the tattered garment donned by the law of nature in conditions of anarchic production.[81]

## *Pre-Capitalist and Cooperative Modes of Production: Social Freedom*

In pre-capitalist and cooperative modes of production, the law of nature is transparent and forthright. It is not disguised behind the mark of things. Rational humans replace values as the allocating mechanisms of labor-time.

Placing pre-capitalist and cooperative production at the same level should not be misconstrued to mean that they are identical. For Marx, pre-capitalist production is inferior due to the primitiveness of its forces of production. This gave rise to personal dependency and a special kind of class domination.[82] However, as regards the allocation of social labor, pre-capitalist and cooperative relations are identical.

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Marx was fascinated by primitive cultures because they express "unity"; i.e., they immediately express the collective essense of production.[83] Thus, "the economic concept of value does not occur in antiquity,"[84] because it does not "presuppose a mode of production . . . where nothing exists unless it is realized through circulation."[85] The division of labor in the primitive Indian community is similar to that of a factory in the sense that there is *no* market circulation of goods, and hence labor is not value- or commodity-producing:

> Labour is socially divided in the primitive Indian community, although the products do not thereby become commodities. Or to take an example nearer home, labour is systematically divided in every factory, but the workers do not bring about this division by exchanging their individual products. Only the products of mutually independent acts of labour, performed in isolation, can confront each other as commodities.[86]

Products become commodities when market agents are reciprocally isolated, but "this relationship of reciprocal isolation and foreignness does not exist for the members of a primitive community of natural origin, whether it takes the form of a patriarchal family, an ancient Indian commune or an Inca state."[87]

Such communities do not produce commodities. Rather, in "patriarchal rural industry," production is "for its own use" and "division of labour" is "measured by duration" of labor power without value categories. That is, individuals "act only as instruments of the joint labour-power of the family."[88] Labor is considered "natural," since

> a communal production, communality, is presupposed as the basis of production. The labour of the individual is posited from the outset as social labour. Thus, whatever the particular material form of the product he creates or helps to create, what he has bought with his labour is not a specific and particular product, but rather a specific share of the communal production. He therefore has no particular product to exchange. His product is *not an exchange value*. Instead of a division of labour . . . there would take place an organization of labour whose consequence would be the participation of the individual in communal consumption.[89]

It is clear that capitalist production is in this sense inferior to what preceded it as a form of the allocation of social labor. In pre-capitalist modes, "there is no need for labour and its products to assume a fantastic form different from their reality."[90] The same applies, in this regard, to cooperative society. Then, labor-time is "directly a component part of the total labour":

> Within the cooperative society based on common ownership of the means of production the producers do not exchange their products; similarly, the labour spent on the products no longer appears *as the value* of these products, possessed by them as a material characteristic, for now, in contrast to capitalist society, individual pieces of labour are no longer merely indirectly, but directly a component part of the total labour.[91]

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Contrary to bourgeois ideas, social alienation is not part of the human condition. It is possible for humans to be part of the organic social body:

> The bourgeois economists are so much cooped up within the notions belonging to a specific historical stage of social development that the necessary *objectification* of the powers of social labour appears to them as inseparable from the necessity of their *alienation vis-à-vis* living labour. But with the suspension of the *immediate* character of living labour, as merely *individual,* or as general merely internally or merely externally, with the positing of the activity of individuals as immediately general or social activity, the objective moments of production are stripped of this form of alienation; they are thereby posited as property, as the organic social body within which the individuals reproduce themselves as individuals, but as social individuals.[92]

Thus, it is possible for humans to attain what I call "social freedom."[93] This type of freedom arises because free individuality is "based on the universal development of individuals and on their subordination of their communal, social productivity as their second wealth."[94]

Social freedom does *not* mean liberation from labor-time calculations *per se.* Marx is unambiguous on this point: "Labour-time, even if exchange-value is eliminated, always remains the creative substance of wealth and the measure of the cost of its production."[95] The part of the day dedicated to necessary labor-time persists after "the abolition of capitalist production."[96] This stems from the universality of labor-time calculations: "On the basis of communal production, the determination of time remains, of course, essential."[97] Labor services of the serf in medieval Europe "can be measured by time just as well as the labour which produces commodities."[98] The individual labor powers of a peasant family in a patriarchal form of production are "measured by duration."[99] The universality of labor-time measurements is even evident to a child.[100]

In his critique of Ricardo, Marx describes "social" production as a scheme according to which society "distributes its means of production and productive forces in the degree and measure which is required for the fulfillment of the various social needs, so each sphere of production receives the *quota* of social capital required to satisfy the corresponding need."[101] In cooperative production there is no need for money or other forms of value since "society distributes labour-power and means of production between the various branches of industry."[102] Marx reiterates the generic problem of social allocation as it appears in the cooperative mode:

> Even after the capitalist mode of production is abolished, though social production remains, the determination of value [should read: labor-time][103] still prevails in the sense that the regulation of labour time and the distribution of social labour among various production groups becomes more essential than ever, as well as the keeping of accounts on this.[104]

He reiterates the same idea in *Capital*, viz., that in the cooperative mode the bond between the singularity of the labor force and total need is direct:

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> (Only when production is subjected to the genuine, prior control of society will society establish the connection between the amount of social labour-time applied to the production of particular articles, and the rule of the social need to be satisfied by these).[105]

Besides the determination of the social weight of products in any mode of production, labor-time provides the criterion for distribution. In collective society, "there is no reason why the producers should not receive paper tokens permitting them to withdraw an amount corresponding to their labour time from the social consumption stocks."[106] The contrast of the "double part" of labor-time as a determinant of the relative weight of products and as a claimant of distribution is spelled out tersely by Marx:

> We shall assume, but only for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour-time. Labour-time would in that case play a double part. Its appointment in accordance with a definite social plan maintains the correct proportion between the different functions of labour and the various needs of the associations. On the other hand, labour-time also serves as a measure of the part taken by each individual in the common labour, and of his share in the part of the total product destined for individual consumption.[107]

Thus, the allocation of labor-time according to total need by a planning collective achieves, ultimately, the same effect the law of value accomplishes in market-coordinated production: "Clearly, the same principle is at work here [in collective society] as that which regulates the exchange of commodities as far as this is an exchange of equal values . . . a given amount of labour in one form is exchanged for the same amount in another." One important difference between the equalization of labor-time by the planning collective rather than by the law of value is that the former implements the bourgeois principle of "equal right" in each "individual case" of exchange while the latter fulfills it "on the average." In a collective society,

> *equal right* is here still—in principle—a *bourgeois right,* although principle and practice are no longer at loggerheads, while the exchange of equivalents in commodity exchange only exists *on the average* and not in the individual case.[108]

Marx goes further and distinguishes between production and distribution, which is reminiscent of John Stuart Mill's dichotomy.[109] The further development of forces of production permits the crossing of a cooperative society over to a communist one, where distribution, unlike production, is subject to norms:

> In a more advanced phase of communist society . . . society wholly cross [sic] the narrow horizon of bourgeois right and inscribe [sic] on its banner: From each according to his abilities, to each according to his needs![110]

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In other words, in communist society, labor-time ceases to play the bourgeois part of the claimant it has played in cooperative and capitalist modes. It still, though, plays the part of the determinant of the relative weight of products (so long as society has not escaped from the realm of necessity).

To sum up, rational management of the generic law of allocation of social labor gives origin to social freedom. Then, social labor is immediately actual; the pool of total labor-time is economized consciously, rather than irrationally by market exchange.

## III. A CRITIQUE OF "SOCIAL LABOR"

Neo-Ricardian critiques of Marx fail to appreciate the specificity of the law of value. Notwithstanding this, the neo-Ricardian theory of price also assumes a hypothetical collective board which assures equilibrium prices. Thus, the critique of Marx applies also to any collectivist conception of market interaction.

The fundamental problem with Marx's concept of social labor and its distorted form, the law of value, is not that they ignore market rigidities, information cost, risk, uncertainty, transaction costs, imperfect information, and possible incompetence on the part of agents – grave as these problems are. It is worth noting that mainstream neoclassical economic theory also ignores all these nuisances at first approximation. Thus, like mainstream theory, Marxian theory can introduce these nuisances at second approximation. What is most deficient about Marxian theory is a more fundamental problem which also mars neoclassical economic theory and its version of methodological individualism. Both traditions treat economic agents as subject to the law of average.

The law of average amounts to throwing away the banana and keeping the peel. While the cause of this in mainstream economics is the concept of perfect competition, in Marxian theory it is the concept of social labor.

As alluded to above, the former is atomistic, and the latter collectivist. The two concepts share, however, one similarity: Both construct a dubious bridge (the law of average) over the river between the micro and macro sides. While each tradition commences the crossing from a different bank, both nevertheless use the same bridge.

Given their commitment to methodological individualism, neoclassical economists commence from the micro side. In order to reach the macro side, they assume perfect competition. That is, agents are presumed to be infinitesimally small and hence must be price takers. The decision of one agent is supposed to have *no* impact on the total picture. Otherwise, the decision of one agent may engender a ripple effect, and it would be almost impossible to add up the individual schedules of quantity demanded and supplied of a certain good. This atomistic version of methodological individualism is commonly known as the "no-surplus" assumption. Another assumption is needed in order to complete the

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crossing. It is called the "complete market" assumption: There are terms of exchange given for every pair of goods, including those in futures markets. That is, the atomized agents are supposed to have precise knowledge (which could be of the statistical type) of the prices of all the goods offered for sale across space and time.

Given the "no-surplus" and "complete market" assumptions, it is possible to construct aggregate demand and supply curves by the simple arithmetic operation of adding up individual schedules of demand and supply. The aggregate magnitudes, in turn, determine equilibrium prices of all goods. The system is at Pareto optimality; i.e., no further trade could possibly advance the interest of one agent without sacrificing the interest of another.

Oskar Lange argued that, ironically, central planning, rather than the market system, would best implement the neoclassical theory of price, which is inspired by auctions.[111] Walras's auctioneer must play the role of the planner since the presumed atomistic agents are helpless price takers; the auctioneer is the only one who could adjust prices so that quantities demanded equal quantities supplied.

In contrast, according to Austrian economists like F.A. Hayek, neither a planning collective nor the market mechanism could actualize the neoclassical theory of price.[112] This is the case since neither planning collectives nor private agents possess perfect knowledge—including the probabilistic variety. Such information is diffused because the market is a complicated formation which cannot be captured by a single human mind, even one standing at an Olympian height. The Austrian critique is directed against the idea of perfect efficiency supposed by the neoclassical view of the market as much as against the myth of the efficiency of planning. Both endeavors accord to human reason the status of omniscience, which is justly reserved for gods.[113]

Marx avoids the two unrealistic neoclassical axioms by proposing that labor, to start with, is essentially social. That is, he starts from the macro bank of the river. In place of the "no-surplus" assumption, Marx assumes that agents are subservient to the law of value, which regulates, behind their backs, the allocation of given social labor across industries in order to satisfy macro needs. It is ruled out from the beginning that the action of an agent could engender others to act: There is no room for positive feedbacks or ripple effects. Likewise in a cooperative society, the law of nature is directly managed by a planning collective.

Marx also relies on an equivalent of the "perfect market" assumption. Social labor is viewed as being performed by a single, rational subject. As pointed out above, the single subject, like Robinson, has perfect knowledge of the total labor and the composition of total needs at its disposal.

In this manner, the crossing of the bridge from macro to micro is possible for Marx. He does not have to aggregate like mainstream theory. His collectivist conception provides him with an almost free passage. The single subject simply has to shift labor so that supply equals demand.

While the crossing has been made simple by Marxian and orthodox theories, the price has been high. The action of an agent, at this highly abstract level, is

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made either infinitesimal or a function of the law of value. In this manner, the peculiarity of the agent, his/her unique position in the topography, is squashed and typified by the law of average. The result is the representation of relations of production as transparent and unconstrained by market complicatedness, as if information is available to all agents in a symmetric fashion.

## CONCLUSION

In my discussion of Marx's approach, I have carefully avoided the word "dialectic." It is one of those words that seem to gain obscurity over time. In light of the above discussion, the dialectic between appearance and essence seems to characterize only the modes of production whose particular appearance contradicts the essence. In respect to social labor, the capitalist mode suffers from the opposition of private labor and social labor. Thus, in the socialist economy, where actuality coincides with species essence, the dialectical opposition vanishes, and existence becomes harmonious. Thus, for Marx, the divergence of appearance and essence takes shape only as a pre-historical prelude to true harmony.

This conclusion, grounded in *Capital* and other later writings, surprisingly corresponds with the early, romantic Marx of the *Economic and Philosophical Manuscripts*. The unbroken line of Marx's thought points to the eventual actualization of the transhistorical essence of social labor. Walicki arrives at the same point.[114] While others, like Jindrich Zeleny, have asserted the continuity of Marx's thought, they usually ascertain it on the ground that Marx is a materialist thinker.[115] If Zeleny's thesis is correct, dialectical contradiction would be characteristic of the human condition, not just characteristic of modes of production whose actuality does not conform with the transhistorical harmony, as Marx presumes.

The scope of this paper does not permit sketching a more complete picture of Marx's idealized conception of the human condition. The investigation above was carried out as part of a larger attempt to unveil the bare conceptual framework of *Capital*. Marx's ideas of abstract labor, nature, and economic crises promise to be underpinned by idealized conceptions which complement the findings of this paper.

### NOTES

1. Andrzej Walicki, "Karl Marx as Philosopher of Freedom," *Critical Review* 2, no. 4 (Fall 1988): 10–58.
2. Louis Althusser, *For Marx*, trans. Ben Brewster (London: Verso and New Left Books, 1977), 49–86.

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3. See, e.g., Marco Lippi, *Value and Naturalism in Marx,* trans. Hilary Steedman (London: New Left Books, 1979); E.K. Hunt, "Marx's Concept of Human Nature and the Labor Theory of Value," *Review of Radical Political Economy* 14, no. 2 (Summer 1982): 7-25; Thomas E. Wartenberg, "Marx and the Social Constitution of Value," *The Philosophical Forum* 16, no. 4 (Summer 1985): 249-73.
4. Although I focus on the conceptural underpinnings of Marx's LTV, I do not claim, à la Paul Sweezy in Steedman, *et al., The Value Controversy* (London: New Left Books, 1981), or Edward J. Nell, "Value and Capital in Marxian Economics," in Daniel Bell and Irving Kristol, eds., *The Crisis in Economic Theory* (New York: Basic Books, 1981), that the qualitative or general LTV can be separated from the quantitative or special LTV. This fictional distinction was intended to salvage LTV from the neo-Ricardian critique initiated by Ian Steedman in Steedman, *et al.* The qualitative aspect has bearing on the validity of the quantitative, but this is outside the scope of this paper.
5. Elias Khalil, "Nature and Abstract Labor in Marx," *Social Concept* (in press).
6. I provide in another paper, "Natural Complex vs. Natural System," *Journal of Social and Biological Structures* 13, no. 1 (January 1990), a general argument for the distinction between these two problem areas.
7. The concept of "mode of production" has been rejected by many neo-Marxists, e.g., Barry Hindess & Paul Hirst, *Mode of Production and Social Formation: An Auto-Critique of Pre-Capitalist Modes of Production* (Atlantic Highlands, N.J.: Humanities Press, 1977). This and other neo-Marxist innovations are irrelevant to my purpose here. My task is not to show how to revise Marxism, but rather to explicate what Marx's concept of social labor really means.
8. K. Marx, *Capital,* vol. 3 (London: Penguin and New Left Books, 1981), 957, emph. added.
9. K. Marx, *Grundrisse,* trans. Martin Nicholaus (New York: Vintage, 1973), 158.
10. K. Marx, *Capital,* vol. 1 (London: Penguin and New Left Books, 1976), 171.
11. K. Marx, *A Contribution to the Critique of Political Economy* (Moscow: Progress Publishers, 1970), 32.
12. Marx, *Capital,* vol. 3, 1019-20.
13. Marx, *Capital,* vol. 1, 167.
14. *Ibid.*, 168.
15. K. Marx and F. Engels, *Selected Correspondence* (Moscow: Progress Publishers, 1975), 196.
16. Marx, *Capital,* vol. 3, 1022.
17. *Ibid.*, 1016.
18. K. Marx, *Capital,* vol. 2 (London: Penguin and New Left Books, 1978), 434.
19. Marx, *Capital*, vol. 1, 927.
20. *Ibid.*, 929-30.
21. Marx, *Capital*, vol. 2, 434; see also K. Marx, *Theories of Surplus Value*, pt. 2 (Moscow: Progress Publishers, 1968), 529.

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22. Some students of Marx (like A. Schmidt, *The Concept of Nature in Marx* [London: New Left Books, 1971]; Marx W. Wartofsky, "From Genetic Epistemology to Historical Epistemology: Kant, Marx, and Piaget," in Lynn S. Liben, ed., *Piaget and the Foundations of Knowledge* [Hillsdale, N.J.: Lawrence Erlbaum, 1983]; David P. Levine, *Economic Theory,* vol. 2, *The System of Economic Relations as a Whole* [London: Routledge and Kegan Paul, 1981]; cf. Elias Khalil, "The Process of Capitalist Accumulation: A Review Essay of David Levine's Contribution," *Review of Radical Political Economics* 19, no. 4 [Winter 1987]: 76–85) are leery of generic conceptions *per se* since they connote biological determinism, antithetical to the revolutionary ethos of Marx. However, this is not necessary: It could be the case that generic conceptions might arise from a utopian vision, or that biological facts might not be deterministic, but rather fuzzy and potential.
23. Marx, *Capital,* vol. 1, 170.
24. Marx, *Grundrisse,* 83.
25. *Ibid.*, 173.
26. Marx, *Capital,* vol. 1, 169–70.
27. Marx, *Grundrisse,* 83.
28. It seems peculiar to claim that Marx is a collectivist, given his accent on class struggle. But class antagonism typifies what is historical and specific. My statement pertains to what is transhistorical and generic.
29. Marx, *Grundrisse,* 156; see also 244, 652.
30. It should not be a surprise that Marx subscribes to a collectivist invisible hand, since his law of value amounts to the same thing.
31. Marx, *Capital,* vol. 1, 171–2, emph. added.
32. Marx, *Capital,* vol. 2, 434.
33. Marx, *Capital,* vol. 1, 171.
34. Marx, *Grundrisse,* 882.
35. Marx, *Capital,* vol. 3, 962.
36. *Ibid.*, 799.
37. Marx, *Capital,* vol. 1, 187.
38. The concepts of "social" and "manufacture" division of labor address the problem of the size of the productive unit in the industry, *not* the problem of division of labor necessitated by technological and organizational imperatives.
39. Marx, *Capital,* vol. 1, 477.
40. *Ibid.*, 173.
41. K. Marx, "Notes on Adolph Wagner," in *Texts and Method,* ed. and trans. Terrell Carver (New York: Barnes & Noble and New Left Books, 1975), 1987.
42. Marx, *Grundrisse,* 158.
43. Marx, *Capital,* vol. 1, 171.
44. As Marx puts it (quoted by Peter Wiles, *The Political Economy of Communism* [Cambridge, Mass.: Harvard University Press, 1962], 358):

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> The national centralization of the means of production will become the natural base for a society which will consist of an association of free and equal producers acting consciously according to a general and rational plan.

45. Marx, *Grundrisse,* 248.
46. *Ibid.*, 158-9.
47. Marx and Engels, *Selected Correspondence,* 197.
48. See Elias Khalil, "Marx and the Uniqueness of Capitalism," unpublished ms.
49. Marx and Engels, *Selected Correspondence,* 196.
50. Marx, *Grundrisse,* 160.
51. *Ibid.*, 156-7.
52. *Ibid.*, 158.
53. Marx, *Capital,* vol. 1, 153-4.
54. *Ibid.*, 164-5.
55. *Ibid.*, 168-9; see Marx, *Capital,* vol. 3, 965-6, 968-9.
56. As argued by Jeffrey Friedman, "The New Consensus: I. The Fukuyama Thesis," *Critical Review* 3, nos. 3-4 (Summer-Fall 1989): 396-8, Marx's emphasis on the planning collective does not mean he is insensitive to external domination and restriction of freedom (i.e., *negative* liberty). Planning for Marx is conducted by producers free from domination, who willingly and freely impose on themselves the provisions of the rational plan.
57. Eugen von Böhm-Bawerk, *Karl Marx and the Close of His System,* ed. Paul Sweezy (New York: Kelly, 1949), 80-6, argues that if supply and demand are regulated by socially necessary labor-time, it would be tautological to state that labor skill is, in turn, determined by demand. For Marx, though, the ratio that reduces skills to one simple denominator is not arrived at by demand; it is given *a priori* behind the back of producers, like the socially necessary labor-time to produce any good; see Marx, *Capital,* vol. 1, 135. The ratios of reduction become embodied, knowable information according to tradition; see *ibid.* Market interaction only manifests what is already determined, and hence Marx's thesis is non-tautological.
58. This analysis may dissipate the fog surrounding Marx's discussion of productive/unproductive labor. For Marx, labor power which fails to create surplus value is unproductive. Yet while it is unproductive, the service it performs is deemed needed by capital. So how one can distinguish between productive and unproductive labor? The Marxian literature is most confusing in this regard. The activities which are usually classified as unproductive include, *inter alia*, advertising, accounting, security, and legal services. Ostensibly, they are superfluous in planned production. Such imagined production must be implied in Marx's natural law of allocation. Hence, the implicit criterion for determining unproductive labor is whether the labor activity in question would still be necessary in the ideal planned production, where actual relations match the generic essence. Such a criterion is clearly idealist.

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This explains why Marxists do not admit it explicitly, and hence why fogginess persists.

59. Marx, *Capital,* vol. 1, 149. Anwar Shaikh, in Steedman, *et al., The Value Controversy,* 299-300, makes the same point in criticism of DeVroey, Himmelweit, and Mohun in Steedman, *et al.*
60. Marx, *Capital,* vol. 1, 177.
61. *Ibid.*, 173-5; Marx, *Theories of Surplus Value,* part 2, 164, 172.
62. Marx, *Capital,* vol. 3, 1013; see also Marx, *Capital,* vol. 1, 135.
63. Marx, *Capital,* vol. 3, 969.
64. *Ibid.*, 1006-7.
65. Marx, *Capital,* vol. 1, 166-7.
66. Marx, *Capital,* vol. 3, 1021.
67. Marx, *Capital,* vol. 1, 133; Marx, *Capital,* vol. 3, 959.
68. Marx, *Capital,* vol. 3, 1020.
69. Marx and Engels, *Selected Correspondence,* 197; see also 193.
70. Marx, *Capital,* vol. 1, 167-8; see also 157, 164.
71. Marx, *Grundrisse,* 161-2.
72. *Ibid.*, 245
73. *Ibid.*, 247-8.
74. *Ibid.*, 161-5. Thus, commodity fetishism is not what some Marxists, like Bertell Ollman, *Alienation: Marx's Conception of Man in Capitalist Society* (Cambridge: Cambridge University Press, 1976), have made it into. They interpret it to express degenerate consumerism, crass materialism, dispossessed workers, and heartless exchange.
75. This is in distinction to "abstract alienation," which is engendered by the suspension of abstract labor. Abstract alienation, which appears as personal dependency, is the outcome of backward forces of production in pre-capitalist relations. I discuss this in Khalil, "Nature and Abstract Labor in Marx."
76. Marx, *Grundrisse,* 652.
77. See Khalil, "Marx and the Uniqueness of Capitalism."
78. In contrast, I show elsewhere ("Nature and Abstract Labor in Marx") that, for Marx, pre-capitalist exploitation arises because of low-level forces of production.
79. Marx, *Capital,* vol. 3, 276-7.
80. See Khalil, "Marx and the Uniqueness of Capitalism"; David L. Prychitko, "Marxism and Decentralized Socialism," *Critical Review* 2, no. 4 (Fall 1988): 127-48.
81. This implies that crises (beyond business cycles) cannot be caused, although they can be accentuated, by the anarchic market. According to Marx (*Capital,* vol. 1, 134), even given some "friction," equilibrium between supply and demand is ultimately attained:

> We can see at a glance that in our capitalist society a given portion of labour is supplied alternately in the form of tailoring and in the form of weaving, in accordance with changes in the direction of the demand

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for labour. This change in the form of labour may well not take place without friction, but it must take place.

That is, Marx does not propagate a theory of crisis based on underconsumption à la Malthus or Sismondi as argued by Michael Bleaney, *Underconsumption Theories* (New York: International Publishers, 1976), 102–119, or à la Keynes for that matter. Marx is critical *only* of a naive version of Say's law (equilibrium law) which does not include money, and hence does not recognize temporary sectoral disequilibrium. That is, Marx subscribes to a sophisticated Say's law, but calls it the law of value.

Thus, Marx's theory of capitalist crises is not based on what is uniquely capitalist, market anarchy. He rather bases it on the falling rate of profit, which is supposedly the result of the rise of machinery relative to living labor. Such a rise is the outcome of the generic drive to increase productivity. This is ironic: the Achilles' heel of capitalist production is transhistorical. As I show elsewhere ("The Fall of the Rate of Return in Socialist Economy: Extending Marx's Argument," unpublished ms.), Marx does not have a theory of *capitalist* crises after all.

82. See Khalil, "Nature and Abstract Labor in Marx."
83. Marx, *Grundrisse,* 489.
84. *Ibid.*, 776.
85. *Ibid.*, 251–2.
86. Marx, *Capital,* vol. 1, 132; see also 475.
87. *Ibid.*, 182.
88. *Ibid.*, 171.
89. Marx, *Grundrisse,* 171–2.
90. Marx, *Capital,* vol. 1, 170.
91. K. Marx, *The First International and After,* ed. David Fernbach (New York: Vintage, 1974), 345.
92. Marx, *Grundrisse,* 832.
93. This is in distinction to "abstract freedom," or the actualization of abstract labor, which is engendered by the development of productive forces (the domination of humans over nature), as I argue in "Nature and Abstract Labor in Marx." While Walicki, "Karl Marx as Philosopher of Freedom," 13, distinguishes between these two types of freedom, he does not relate them to the concepts of social labor and abstract labor, and, of more importance, does not clearly identify capitalist and cooperative phases (as opposed to pre-capitalist modes) as enjoying abstract freedom.
94. Marx, *Grundrisse,* 157–8.
95. K. Marx, *Theories of Surplus Value,* pt. 3 (Moscow: Progress Publishers, 1971), 257.
96. Marx, *Capital,* vol. 1, , 667.
97. Marx, *Grundrisse,* 172.
98. Marx, *Capital,* vol. 1, 170.
99. *Ibid.*, 171.

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100. Marx and Engels, *Selected Correspondence,* 196.
101. Marx, *Theories of Surplus Value,* part 2, 528–9.
102. Marx, *Capital,* vol. 2, 434.
103. The original word *"wertbestimmungen,"* which is wrongly translated here as "value," does not connote exchange economy. I thank Norman Fischer for bringing this to my attention.
104. Marx, *Capital,* vol. 3, 991.
105. *Ibid.*, 288–9; see also 799–800 and Marx, *The First International and After,* 345.
106. Marx, *Capital,* vol. 2, 434.
107. Marx, *Capital,* vol. 1, 172. In his "Critique of the Gotha Program" (Marx, *The First International and After,* 346), Marx asserts the same criterion of distribution: "The individual producer gets back from society after the deductions exactly what he has given it. What he has given it is his individual quantum of labour." Thus, "bourgeois right" is preserved in the cooperative mode because of the exchange of equivalents.
108. Marx, *The First International and After,* 346. In this context, Joan Robinson, *An Essay on Marxian Economics* (New York: St. Martin's Press, 1966), 23, makes a pertinent observation: "While abandoning the view that prices correspond to values under capitalism, Marx believed that, under socialism, the labour theory of value would come into its own." In this fashion, Robinson demystifies the gist of Marx's law of value; viz., it is about the universality of labor-time calculations. However, she erroneously considers the law of value to be still operative in the socialist mode of production. She does not appreciate the particularity of labor-time calculations in capitalist production; she considers value magnitudes to be merely transparent, direct labor-time. This indicates that she does not grasp the concepts of value or commodity fetishism. In fact, in her *Economic Philosophy: An Essay on the Progress of Economic Thought* (Garden City, N.Y.: Anchor Books, 1962), 35–42, she described pejoratively the law of value as "metaphysical." In this manner, she anticipates Ian Steedman's neo-Ricardian critique of Marx.
109. John Stuart Mill, *Principles of Political Economy,* vol. 1 (New York: Colonial Press, 1899), 196–7.
110. Marx, *The First International and After,* 347; see also Marx, *Capital,* vol. 1, 172.
111. See O. Lange and F.M. Taylor, *On the Economic Theory of Socialism* (New York: McGraw Hill, 1938).
112. See F.A. Hayek, "The Use of Knowledge in Society," *American Economic Review* 35, no. 4 (September 1945): 519–30; and F.A. Hayek, "The Pretence of Knowledge," *American Economic Review* 79, no. 6 (December 1989): 3–7 (special issue). See also Gerald P. O'Driscoll and Mario J. Rizzo, *The Economics of Time and Ignorance* (Oxford: Blackwell, 1985).
113. Hayek's observation about the diffusion of knowledge implies that the market system is inefficient since agents do not maximize globally. Thus, it appears contradictory for Hayek to passionately promote the market over planning. In fact, according to the efficiency criterion, one may agree with

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Levine, *Economic Theory*, vol. 2, 254-5, that the state is in a *relatively* better position to collect and use information than private agents. However, Hayek's advocacy of the market becomes congruous once factors other than efficiency are taken into consideration, such as entrepreneurship and innovation.

114. Walicki, "Karl Marx as Philosopher of Freedom," 15, 42. The point is also made by Norman Geras, *Marx and Human Nature: Refutation of a Legend* (London: Verso & New Left Books, 1983).
115. J. Zeleny, *The Logic of Marx* (Totowa, N.J.: Roman and Littlefield, 1980).

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*Martin Ricketts*

# THE ECONOMIC ANALYSIS OF INSTITUTIONS

*This paper discusses recent attempts by economists to analyze institutional structure using individualist methodology. It is argued that developments in game theory, as well as advances in the analysis of transactions costs, have proved surprisingly fertile in yielding insights into the nature and structure of institutions. The example of the university is used to illustrate the ways in which the economic approach to institutions can be applied. In particular, the nature of academic contracts and the non-profit status of universities are related to the literature on contractual hazards. Although methodologically very different from sociological or historical analysis of institutions, it is argued that the new institutional economics may provide a bridge permitting greater contact between hitherto almost entirely separate disciplines.*

Economic theory as it has developed, at least since the end of the nineteenth century, has not concerned itself with institutional structure. The central concern of the research program has been the study of markets and the determination of relative prices. Of course the study of markets is in itself the study of a particular institutional setting. When people contract in markets they do so in the knowledge that most of the other contractors accept the rules of the game and will abide by certain conventions. But these conventions and the structure of law which

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support them are not explained within the body of traditional theory. They are exogenous, a part of the environment which has by some unspecified process already evolved.

If economic theory can be characterized as lacking institutional content, the market contracting that economists traditionally study is often viewed as, in itself, subversive of institutions. Markets, it is commonly felt, are destructive of institutional structures, and the reputation that economists since the end of the eighteenth century have had for advancing the claims of market processes makes them susceptible to the charge of hostility to any non-market resource allocation. Economists can find themselves represented as rationalist hooligans prepared to tear down all sorts of time-honored institutions in their pursuit of a world fit for economic man. Further, it is commonly argued that economic forces subvert stability, durability, commitment, obligation. The market continuously presents us with new opportunities for recontracting, and a restless pursuit of self-interest undermines the cohesive forces associated with institutional structures. A recent article by Raymond Plant[1] voices the same point of view: "One of the most disturbing legacies of the Thatcher years is that social institutions now seem to be valued for what individuals can get out of them rather than embodying some wider, vague but necessary sense of the society's identity and solidarity." This concern about the consequences for institutional structures of market processes is, in my view, far from a legacy of the Thatcher years, but has been a theme running through many strands of social thought at least since the Enlightenment.

Critics are perfectly correct to point out that economists are methodological individualists and that their assumed individual is a rational, utility maximizing one. Is it really possible, the critics seem to ask, to explain the emergence of viable social institutions, to study the mechanisms which permit cooperation and cohesion, to provide a theoretical framework to explain the structure of institutions and their variety, on the basis of such an unpromising methodology? Sociologists have been extremely reluctant to believe that it is possible and have given a negative answer to this question. As Christopher Winship and Sherwin Rosen[2] remark in a recent edition of the *American Journal of Sociology*: "At least since Durkheim's *Division of Labour* (1933), sociologists have explicitly rejected the economist's model of utility maximising behavior." In recent years however, economists have become increasingly confident in their assertion that it is indeed possible to explain institutional structure using individualist methodology. If attention is focused on the decline of institutions in the face of economic changes, it is possible to overlook the extent of institutional creation and innovation associated with the same changes. The nineteenth and twentieth centuries have seen the continuous development of new institutional forms—trade unions, friendly societies, the joint stock enterprise, business hierarchies; the landscape of modern life is hardly devoid of institutions as a result of market forces. Those forces have shaped the development of institutional structures rather than rendering them obsolete. *The new institutional economics* is concerned with the analysis of the institutions which people voluntarily create by their contractual activity.

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## *The New Institutional Economics*

There are at least two distinct ways of using the word *institution*, and before proceeding further it will be useful to elaborate. There is first the idea of an institution as an established law or custom. The custom of taking a day off work at a certain date in the year for example could be termed an "institution." The second, more apposite usage is the institution as an organized body for the promotion of a public object. Institutions are here recognized by the fact that resources are allocated through some act of conscious planning in pursuit of an objective which is in some sense common to a group of people.

Let us first consider the institution as a customary form of behavior. Can utility-maximizing principles explain the development and survival of this type of institution? There is a long tradition in economics which argues that this is indeed possible. The acceptance of money as a medium of exchange, for example, is a convention. This is presumably what we mean when we refer to money as an "institution." This convention is of enormous social significance, and without it it would be impossible to imagine the evolution of a modern economic system. Yet in spite of the efforts of emperors, kings, and legislators through the centuries to convince their subjects that the value of money depends upon government sanction, this is clearly not the case. Money developed spontaneously as individual maximizers perceived that it was in their own interests.

The economist Carl Menger, writing at the end of the nineteenth century, put the case thus: "As each economizing individual becomes increasingly more aware of his economic interest, he is led by this interest, without any agreement, without legislative compulsion, and even without regard to the public interest, to give his commodities for other more saleable commodities, even if he does not need them for any immediate consumption purpose."[3] Self-interested behavior is capable of producing the institution of money, and once in existence the convention is self-enforcing. It is in my interest to accept as money the commodity that other people accept as money. This is no way implies of course that all commodities are equally likely to take on a monetary function. We would also expect, as Armen Alchian points out, that successful varieties of money will be those whose quality is not costly to assess. In a monetary world we expect that people will try to deceive us with forgeries. A successful monetary medium will be costly to imitate and conversely cheap to assay. It will thereby imply the worst about human nature.

Perhaps the most thoroughgoing recent exponent of the idea that all sorts of behavioral conventions, including rules for assigning property rights, can be seen as the outcome of a spontaneous unplanned coordination process is Robert Sugden in his book *The Economics of Rights, Cooperation and Welfare*.[5] Sugden makes extensive use of game theory and adapts evolutionary models of animal behavior, recently developed by biologists, to an economic context. When animals are in conflict over territory or food they may play an aggressive strategy (the "hawk" strategy) or a passive one (the "dove"). When two hawkish individuals meet, the

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fur or the feathers fly and some damage is done which is not conducive to the survival of the individuals concerned. When two doves meet the resource is shared. When dove meets hawk, the hawk takes everything and is not challenged. Without investigating the precise mathematical properties of this game it is not surprising to learn that over time we can expect the population to consist of a fairly stable proportion of hawks and doves depending on the precise payoffs to each strategy pair. For example if the world is populated entirely by doves, a mutant aggressive individual might fare extremely well. As the proportion of hawks rises, however, the strategy becomes less favorable because the probability of hawk meeting hawk increases and with it the probability of severe mutual damage. Sugden argues that many social situations may be modeled in formally similar ways.[6]

Of course Sugden does not see the evolutionary process as being genetic. He sees individuals in the social context as being rational maximizers and capable of learning by experience. Further, individual human beings have the capacity for recognizing asymmetries in games, asymmetries which are capable of generating conventions. He gives as an example the "crossroads game." In the absence of established rules of behavior I have two strategies when approaching a crossroads in my car—I can slow down or maintain speed. Any opponent approaching on the other road has a similar choice. As in the animal example mentioned earlier an equilibrium ratio of aggressive to passive drivers will exist. I will choose the strategy which gives me the greatest expected payoff; this will depend on the ratio of aggressive to passive drivers I encounter on the road. Too many aggressive drivers and the payoff to slowing down at crossroads looks attractive. Still however, we might expect the crunch of metal to be rather familiar in such a world, and institutions to reduce it might be expected to evolve. If for example people began to notice that sometimes they played the crossroads game with their opponent on the left and sometimes with their opponent on the right, or sometimes they were on the relatively wide road and sometimes on the relatively narrow road, consciousness of such differences might affect the choice of strategy. Sugden shows that once the probability of observing a person playing a given strategy is related to some perceived asymmetries there will be a tendency to arrive at a self-enforcing convention such as "give way to the car on the major road" or "give way to the car on the left." This will be so even if the initial cause of the asymmetry is (if you will pardon the term in this context) "accidental." For example, people on the major road might regularly only notice that they have played the crossroads game after the event.

The growth of conventions in these evolutionary models therefore depends upon the ability of people to recognize asymmetries that their fellow citizens recognize. There is a clear payoff to this ability, but it is *not* clear how long the process of generating conventions is likely to take in any particular set of circumstances. On my way to lunch at the Old Town Mill I regularly play the University of Buckingham carpark game. There are two strategies which may be called

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respectively the clockwise circulation strategy and the anti-clockwise circulation strategy. My confidence in Sugden's ideas is stretched each time I play this game as there appears at present to be no accepted convention, and both strategies are played with relative probabilities which are extremely difficult to estimate. I have noticed however that the returns to playing what I had always imagined to be the conventional clockwise strategy are increasingly dubious.

## *The Logic of Organizations*

I turn now from institutions as conventions to institutions as organizations. Institutions in the organizational sense present the economist with severe conceptual problems, and a fully accepted definition of the term does not as yet exist. There are various features of the contractual environment which economists have highlighted as of importance, however. The first idea is that in an institution, each participating individual has a contract, not with every other individual, but with some central agent. This suggests that institutions are recognized by a particular *pattern of contractual arrangements*—a "nexus" of contracts, as it is sometimes expressed. Although this idea captures something of the flavor of an institution, it is clearly not all there is to it. The "putting-out" system of the eigtheenth century in the production of textiles involved many individuals at the various stages of production contracting with a central coordinator. Yet it is not clear that this form of economic organization would be seen by non-economists as an institution. Similarly, a group of people contracting with a central agent for a very specific limited purpose of short duration would not be said to have formed an institution.

Clearly the *nature* in addition to the mere pattern of the contracts involved is significant. The idea of an institution implies a *durable* relationship between the contractors. My contractual relationship with Tesco's does not stretch beyond the immediate transaction that I may be contemplating. The situation would take on a different complexion if, as a member of some commune, I continually went to a particular outlet through which the produce of the commune was distributed. The *durability* of contractual arrangements is associated with a third feature of institutions. The terms of the contracts are rather loosely specified. Because a person's association with a group is not for some highly specific and limited purpose like painting a door, but is expected to endure and involve as yet undecided-upon tasks, the contract must of necessity be vague. My own contract at the university, for example, requires that as a professor I perform duties which are customary for such posts in universities in Great Britain. This *non-specific* character of contractual terms is typical of institutional arrangements.[7]

An institution could be loosely thought of as "a nexus of long-term non-specific contracts" but this leaves the boundary between institutional and market relationships unclear. What we observe is a spectrum of contractual arrangements from the very short-term, highly specific ones found in spot markets to the

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long-term but non-specific commitments found in many institutions. The economics of institutions is therefore concerned ultimately with what determines the nature of the contracts which are observed in various settings.

A single paper will not permit a full survey. But the main features of the contractualist approach to institutions can be indicated. Institutions differ in structure because the exchange relationships or the variety of agreements which are involved are subject to differing contractual hazards. These hazards all relate to the problem of information asymmetry. If the parties to a contract are all fully and equally informed, each knows what he or she wants of the others, each can tell costlessly whether the promises of the other parties have been fulfilled, each knows the penalty attached to failing to perform the promised services and is perfectly certain that such a penalty will be implemented by someone who has an interest in so doing, then no contractual hazards are encountered. Simply to describe such a set of circumstances is to reveal how far removed from everyday experience it is. Information is not equally available to all contracting parties at zero cost, and the way we contract with one another reflects this simple fact.

People are, it will be recalled, assumed to be rational maximizers. They cannot therefore be relied upon to do anything which they do not reckon to further their private interest. If we pay people a wage per unit of time and we cannot observe or deduce their effort or their output, they will shirk. If shareholders pay managers a salary to run a firm in their interests the managers will divert resources away from the shareholders and line their own pockets. If it is difficult to assess the quality of a resource, a seller will have no scruples about skimping on quality, unless some retribution can be expected. If a person notices that the passage of time has improved his bargaining situation, "old times' sake" will not restrain him from pressing his advantage to the full and renegotiating the terms of the contract insofar as this is possible.

Contractual mechanisms cannot solve the problem of asymmetric information and the opportunism to which it gives rise. But we would expect that arrangements have evolved which recognize the hazards and represent coherent responses to them. Institutions can be seen formally as games.[8] The contractual features of the institution determine the structure of the game and the payoffs to the participating individuals which will result from the various possible choices of strategy. The problem of institutional design is then to produce a game in which the outcome is superior for the players than the alternative possible games. An outcome is a solution to the game in which each participant has no incentive to change his or her behavior (or choice of strategy) given the strategy choices of all the other participants—just as my choice of strategy in Sugden's crossroads game was the best given the behavior of other road users. The complexity of an institutional game makes the analysis of the entire structure intractable, however.[9] The University of Buckingham carpark game is complex enough in itself. The University of Buckingham game, one might be forgiven for thinking, is quite beyond rational calculation.

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## *Universities Analyzed Economically*

Economists have responded to this problem of complexity by looking at separate contractual problems within an institution rather than attempting to cope with the entire system at once. The flavor of the analysis can perhaps best be conveyed by taking an example. Let us look at a few of the contractual problems encountered in a university. In doing this it will I hope be understood that I am offering no particular advice about how a university should be run and no specific criticism of the structure of my own. The contractual issues that arise are of general interest, however, and are relevant to many different types of enterprise.

Consider first the contractual problem involved in engaging the services of academic members of staff. My remuneration entirely consists of a salary. I am not paid a piece rate according to the number of lectures given or the number of essays marked. Further, receiving payment direct from my students would I am sure result in rather serious consequences were it to be discovered. Adam Smith was scathing about such a system.[10] In some universities, he remarks, the greater part of a teacher's remuneration comes from the fees of his pupils. "In other universities the teacher is prohibited from receiving any honorary or fee from his pupils, and his salary constitutes the whole of the revenue he derives from his office. His interest is, in this case, set as directly in opposition to his duty as it is possible to set it." Not to put too fine a point on it, the academics will shirk.

According to an editorial footnote in my copy of the *Wealth of Nations*, Smith's salary at the university of Glasgow was about £70 with the use of a house. His fee income was about £100. Sherwin Rosen describes the system in a recent volume of the *Journal of Labour Economics*.[11] "Three guineas were collected from each student appearing in class on the first few days of the term. After all accounts were settled, the gold was placed in a special leather sack and carried, along with a cudgel or stout walking stick, to the bank for safe deposit. Murray reports that certain professors brought precision scales to class, to minimise revenue slippage due to coin clipping and light money. . . . " It is difficult not to agree with Smith that such a system is likely to encourage a close attention to making lectures informative and enjoyable. It raises the general organizational question—why is not a university organized like a shopping mall rather than a fully integrated department store? The university could provide the infrastructure, the inputs which are joint to the efforts of all the academics, and the lecturers and professors could rent their space and put up their stands around the university, attracting students by the quality of their product.

Maybe universities should be organized like this. Maybe they will come to be organized like this. The separate funding of research centers and the running of financially independent summer schools and short courses represent steps in this direction. But let us consider here those contractual forces which might act in the contrary direction.

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Two issues figure prominently in the economist's approach to contracting which Adam Smith is implicitly arguing are not important. There is first the problem of risk. If I am paid according to attendance at my lectures, my income will vary from year to year as unforeseen circumstances arise and the demand for my product ebbs and flows. As a risk-averse individual I very much dislike this prospect and would prefer the risk to be spread across the entire university. If I were paid not according to my output as valued in the market but according to my effort, then I would at least know that, providing the effort was forthcoming, I could be sure of my income. Institutions, this approach is saying, are to some extent about risk sharing, and risk aversion seems to favor a time rate conditional upon certain effort levels being observed. The reason that Smith ignores this argument is simple. Risk sharing requires excellent monitoring if moral hazard is to be avoided, and Smith had robust views about monitoring in a university. All that superiors can do, he argues, is to force the lecturer "to attend upon his pupils a certain number of hours," but will be unable accurately to judge quality. Those making assessments of the teacher are likely to be ignorant of the subject being taught and probably will not even attend the lectures which the teacher gives. A lecturer on the other hand will attempt to protect himself. "This protection," according to Smith, he is most likely to gain "not by ability or diligence in his profession, but by obsequiousness to the will of his superiors, and by being ready at all times, to sacrifice to that will the rights, the interest, and the honour of the body corporate of which he is a member."

If effort, then, is unobservable, a complete spreading of risk cannot be achieved. Smith drew the theoretically correct conclusion that direct payment of fees to lecturers would be the result. In fact modern analysis would predict an optimal second-best contract which allows some incentive effects to be sacrificed in the interests of greater risk sharing through a combination of a time rate and a piece rate. This represents a solution to the classic principal-agent problem, and it is of course precisely the contract that Smith himself had at Glasgow. An optimal contract has the characteristic that no alternative contract exists which could make one of the parties better off without harming the other. Such a contract may be second best, however, in the sense that it takes account of the problem of information asymmetry and the moral hazard to which it gives rise.

But we started with the observation that my contract is not like Adam Smith's contract at Glasgow. We still therefore have not derived a plausible theoretical explanation for the existing system. Universities apparently prefer to steer their course through treacherous currents, between the Scylla and Charybdis of the modern managed enterprise—disaster always threatening either from sloth and indolence on the one hand or from fawning obsequiousness on the other. There must be *some* reason why the modern university has adopted this apparently flawed game. This brings me to the second feature of the university environment that Smith does not discuss in any detail in his section on educational institutions. If risk spreading is not helpful in making sense of academic contractual forms, perhaps the existence of joint products will help.

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As so far considered, the output of any given academic, whether easily observable or not, has implicitly been assumed independent of the output of other academics working in the same institution. The shopping mall is an appropriate form of retail organization when the joint inputs are easily observable and there is little spillover in terms of joint output. The success of one shop in a mall is not of course entirely independent of the others. But there is no sense in which the shops in a mall can be said to be working together towards the production of a certain collective goal. There are production processes, however, in which people cooperate to produce an output which is strictly joint to all of them. In these situations my productivity may not only be difficult to observe but also may affect the performance of other members of the group. In the extreme case only the output of the team as a whole is observable and individual contributions to it cannot be inferred. Economists refer to such a situation as one of *team production*, following the terminology of Alchian and Demsetz (1972).[12]

The existence of team production presents very great contractual difficulties. It means that the output of any given member of the team cannot be separately identified or marketed. Members of a team therefore find themselves playing a game which is referred to as a "prisoner's dilemma." If other members of the team shirk, then my best strategy is to shirk, since by working I share any resulting increase in the team's output with every other team member, and the benefit to me may be insignificant. If other members of the team work, my self-interested strategy is still to shirk, because then I receive the benefit of everyone else's endeavor without expending any effort myself—I am a free rider. Shirking is the dominant strategy for all players, and the result is that team production processes cannot be effected merely by using contracts which promise performance in return for a share of the outcome of the team's effort. As Thomas Hobbes[13] put it, "Covenants, without the sword, are but words, and of no strength to secure a man at all."

## *Professor's Dilemma*

Economists are fascinated by the prisoner's dilemma game. It is at the heart of their discussions of the role of the state, and presents a challenge to their conception of a spontaneously coordinating economic system driven by self-interest. The social gains available from team output apparently require the sword, and someone with an incentive to wield it. Various attempts have been made to mitigate the force of this conclusion. In two-person prisoner's dilemma games, it is possible to derive an equilibrium which is socially efficient if it is continually repeated with the same opponent, or which is repeated with some sufficiently large probability. The "discipline of continuous dealings," as it is sometimes called, induces us to behave cooperatively.. We hope to capture the social gains from cooperation by showing a willingness to cooperate in the first round of the game and thereafter use a "tit-for-tat" strategy, adopting the response our opponent has

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adopted in the previous round. In computer simulations of repeated games, this strategy of reciprocal altruism has been shown to produce higher payoffs to the players over time than any alternatives suggested by game theorists. A group of people playing this strategy may therefore be expected to fare better in the long run than groups playing alternative strategies. It is this idea which provides the basis of Robert Axelrod's recent book, *The Evolution of Cooperation*.[14]

Unfortunately, it is not clear that we can appeal to continuously repeated games and the strategy of "tit-for-tat" to explain the survival of groups engaged in team production. In two-person games where the behavior of each player is observable by the other, the strategy of tit-for-tat is easy to interpret. But in a larger team environment the strategy is not so clear. In the first place we, as individual team members, may not know who has been cooperating and who has not. In the second place it is not obvious how we should respond. Do we punish everyone by not cooperating as soon as a single other member of the team shirks, or do we continue to cooperate, providing a sufficiently large proportion of the team are doing likewise—and if so how big does this proportion have to be? Economists have concluded that in a team environment, the prisoner's dilemma is intractable and that teams are only viable if they have access to a monitor—a Hobbesian sovereign who will observe the behavior of team members and punish transgression wherever it is found.

The economist's view that the structure of institutions in a team environment will require a monitor is perfectly illustrated by a story which has been widely quoted in the professional literature. It is now called "the fable of the barge," presumably on the grounds that even if it is not absolutely true, it is a very instructive story. The example concerns pre-revolutionary China and originates with Steven Cheung but was made famous by John McManus in 1975.

> On the Yangtze River in China, there is a section of fast water over which boats are pulled upstream by a team of coolies prodded by an overseer using a whip. On one such passage an American lady, horrified at the sight of the overseer whipping the men as they strained at their harness, demanded that something be done about the brutality. She was quickly informed by the captain that nothing could be done: "Those men own the right to draw boats over this stretch of water and they have hired the overseer and given him his duties."[15]

The point of the story, of course, is that the members of the team recognized the potential gain from a team endeavor, but also understood that it would not be achievable, given the free rider or shirking problem, without an overseer.

This brings me back to the university and a fundamental series of questions. To what extent can the university be likened to a barge on the Yangtze River? Are the staff like the straining coolies? Is the Vice Chancellor the overseer with the whip? It seems an unlikely analogy, but if the harnesses are discreet and the lash rarely used, this may reflect the high monitoring costs likely to be encountered in universities; it does not necessarily imply that team production is unimportant.

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There are at least some plausible arguments which we may use to liken the university to a team.

Students come to a university not to shop around for some interesting lectures, but to follow an approved course of study on the completion of which the institution as a whole confers a degree. The degree is valuable to the student because it acts as a reliable signal to other people concerning the student's professional competence and general educational background. At this most general level, therefore, the product of the university is not merely the instruction of students. It sells this instruction, but in addition it provides its endorsement of the student's final level of attainment, an endorsement the value of which depends on the reputation of the institution as a whole.

Reputation plays an important role in the economic analysis of institutions. A reputation may be costly to create, but once created, like the reputation for cooperation in a repeated prisoner's dilemma game, it may be extremely valuable and permit exchanges to take place that might otherwise have been impossible because of moral hazard. Reputation or brand-name capital, as it is sometimes called, is more costly for individual members of academic staff to generate compared with the institution as a whole. This is not in any way to say that reputation is of no consequence to members of staff—their reputation with their peers in other institutions is probably central to an explanation of the effort level observed in universities. But it *is* to argue that the type of reputational capital of use to students will be generated by the institution as a whole.[16] Very few of the people with whom my economics students will be dealing in their future varied careers will have heard of particular members of staff. They will rely on the general reputation of the institution to assess the value of the qualification. To the extent that this is true, and to the extent that individual contributions to this joint reputation are impossible separately to identify, then all of us are engaged in a team production process not in principle different from hauling barges along waterways.

## *University, Inc.*

Thus far, I have concentrated on the incentive structure facing academics at a university. But there are of course many other features of interest. Why, for example, is the university typically a non-profit institution? Why not a joint-stock company—part of some educational Sainsbury's or Marks and Spencer? Is this just a fluke of history, or is there some contractual rationale that we can point to? If not a joint stock company, quoted on the stock market, or a closely owned private business, could we see a university run like a professional partnership in the manner of some accountancy firms or management consultants? And if not a partnership, why not a cooperative organization like the Berlin Philharmonic Orchestra?

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The critical question around which revolve most discussions of property rights structure in the economics literature is that of providing appropriate incentives to the monitor. Why should an overseer or monitor act efficiently? In a team environment the monitor will have the same incentive to shirk as anyone else. The obvious answer to this quandary is that the monitor will have the greatest incentive achievable if he is given the right to claim the residual profit accruing to the team effort, and if he forms the hub of the nexus of contracts which defines the firm. The rationale of the classical capitalist firm is thus equivalent to Adam Smith's rationale for suggesting that academics should be paid directly by their students.

Departures from this basic form may then be explained by reference to factors such as potential risk sharing benefits, the efficiency of monitoring effort, which may vary widely according to the precise activity of the team, and the vulnerability of contractual relations to other forms of opportunistic behavior. The joint-stock enterprise, for example, permits risk to be spread widely over a large body of shareholders. Although the price of this risk spreading is expected to be managerial shirking, the existence of stock options, profit-related bonuses, the takeover threat, and the market value of a senior manager's reputation, may confine this shirking within limits which permit the joint stock form to prevail over alternative available structures. Where, however, the observation of behavior is very weakly related to the productivity of the inputs in a team, monitoring of behavior will not provide information of much value, and incentives to team members may require sharing the residual. It is this presumed low return to detailed monitoring which economists have used to explain the use of the partnership form of enterprise in areas such as accountancy and the law. A senior partner in a law firm may keep extremely irregular hours, but time-keeping is simply not considered sufficiently closely correlated with productivity to waste resources imposing time-keeping restrictions. Presumably the same reasoning could be used to explain the fact that no university with which I have ever been associated requires academics to clock in in the morning.

Institutions in which the output of the team or the claim to the profit is shared across all team members are therefore likely to exist in environments where the productivity of monitoring is low, and the prisoner's dilemma is likely fairly tightly to confine the size of these teams. Cooperatives and partnerships usually do not grow to a great size, although the McKinsey management consulting firm has three thousand partners and has a well-developed system of peer group appraisal.[17] The appraisal is not concerned with the input behavior of the partner but with his output as assessed from a sample of his clients. Thus we have a case of an activity in which there *are* team production characteristics—people are more efficient operating in a team than as individuals, but a separately identifiable output for each partner does exist. The team output is the reputation attached to the partnership as a whole, which reduces the search costs and the hazards which potential customers would otherwise face in contracting with a single relatively unknown consultant. In surveying the satisfaction of clients, therefore, the Mc-

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Kinsey company is behaving as we would expect by concentrating on its main joint product—a good reputation—and monitoring something which is highly correlated with this and which is therefore of joint importance to all partners. Penalties can be severe, as would be expected if such a large organization is to survive on a partnership basis.

Once again I am led back to the university. Is this not a case where the returns to monitoring input behavior are low? Did I not argue that a primary joint product of our efforts was a good reputation? Might we not plausibly be led to the conclusion that a partnership could be an institutional form with good survival properties in the market for the universities' services? Yet what we actually observe is a non-profit enterprise. At each stage in the argument the university seems perversely to refuse to have anything to do with the economists' notions of optimal contracting. No share of the profits to entice us, no takeover threat to terrorize us, no stock options to pander to our greed and acquisitiveness, no Hobbesian sovereign to overawe us, a steady salary to reassure us—how in heaven's name does this institution survive in the competitive evolution of institutional forms?

To rephrase the question—is it possible to derive a non-profit enterprise from the solution to some optimal contracting problem? If we look at non-profit enterprises we observe that they are often found in the provision of health services, education, and housing or involve charitable activities of some description.[18] This has led to the idea that non-profit enterprises are spawned by information problems faced by consumers and charitable givers. It is not simply that consumers often find it difficult to assess the quality of the product they are buying. We have seen that this will almost always be the case and that the development of reputations and the discipline of continuous dealings are frequently good enough to cope with the problem. The quality of motor car repair services is difficult to assess but we do not observe not-for-profit garages.

There are occasions, however, when we may never be sure of the quality of the services which we have financed. The most often cited example is that of the nursing home for the elderly or for the mentally ill. The purchaser of the services may not be the direct consumer, and the consumer may be in no state to report accurately on the standard of treatment received. Non-profit status is here a signal to financers of the service that resources cannot be hived off into expensive cars or large profits, and that auditors with reputations to protect will ensure that eligible expenditures only are approved. The shirking problem still exists, of course, but better to rely on the effort of team members in a non-profit environment than introduce incentives to effort which might actually sabotage the quality of the product. For similar reasons we would not expect institutions collecting money for charitable purposes to be profit-making. In a world of absolutely perfect information, an agency mediating between givers and receivers could logically be profit making, and a competitive market in charitable intermediaries could exist. Givers would presumably only use those intermediaries with the

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minimum administrative costs. But in a world of prohibitively high information costs non-profit status is the natural result.

If we regard the consumers of the university's output as being the students, the argument for non-profit status based upon an analogy with nursing homes and health care is rather unpersuasive. Students are well able to report on the service they receive at a university, and reputational capital can be both developed and squandered. The argument has greater relevance to the wider aims of the university in terms of encouraging scholarship and research. A university produces not merely graduates but knowledge. If new knowledge can be embodied in marketable products and protected by copyright and patent laws, we should expect to observe research institutes financed by commercial interests and run on a professional partnership basis. But much of the knowledge traditionally associated with universities is not of this immediately applicable variety. It consists of a flow of ideas or experimental results which may or may not be of value in a commercial sense in the long run, and which may be taken up and used by other scholars in other institutions with acknowledgement, but otherwise free of charge. This flow of knowledge, which confers merely the possibility of future utility, and which has value at the present simply as contributing to a general climate of scholarship, is a type of public good. The finance of this public-good type of output is always problematic. It depends in a complex way on donations from outside the institution, and implicit contributions from within in pursuit of personal academic reputations and possibly in indirect attempts to attract students. For those outside the institution contemplating donating resources, non-profit status is likely to be an important signal.

An alternative explanation of non-profit institutions can be derived from consideration of other contractual hazards. Exchangeable residual claims may be disadvantageous if they stand in the way of credible long-term commitments. Suppose that I agree to supply some input to a team and that this input requires me to make an investment which is highly specific to that particular team. A specific asset is one which has a low value in alternative uses. Such an agreement will leave me exposed to post-contractual opportunism or "hold-up." The buyer of my services may attempt to renegotiate the price he pays for them, knowing that the assets cannot easily be used for any other purpose. Wherever specific assets of this nature are involved, long-term contracts will require considerable trust. People will not place themselves in such vulnerable positions if they do not have confidence in the promises made by the buyer of the services, and easily exchangeable residual claims may make the generation of trust difficult. I am, for example, much less likely to invest in skills specific to a given team if I expect the team to be taken over, my terms of employment renegotiated, and the quasi-rents generated by my skills to be stolen by the raider. This is, of course, precisely the objection voiced by critics of aggressive takeover activity. Takeovers could be profitable to a raider, but the profits could all be redirected rents rather than gains in productive efficiency.

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Environments in which specific assets are extremely important are, therefore, expected to be environments in which there are restrictions on the exchangeability of residual claims or in which residual claims are suppressed altogether. Klein, Crawford and Alchian[19] give the example of the country club. Country clubs are not privately owned. The services provided by a social club are specific to a particular group of members and derive from the social milieu created by all of them. An opportunist private owner could, after the club has become established, increase membership fees and thereby appropriate the value of this social environment. How far the specificity of the assets, especially the human capital, employed at universities accounts for their non-profit status is a question I have not seen investigated in detail in the literature on the new institutional economics, but it must constitute at least one component of a complete theory.

## *The Limits of Economic Explanations*

The economic approach to institutional structure holds out great promise of further development. It has many strengths. It provides us with a framework capable of being applied to every variety of institution. The sociologist Michael Hechter,[20] for example, in his book *The Principles of Group Solidarity* has applied the methodology of the economist to explain the cohesiveness of family groups, political parties, religious and other communes, rotating credit associations and many other social institutions. In this way institutional analysis based on individualist rational maximizing assumptions seems capable of providing a bridge between the hitherto almost entirely separate disciplines of sociology and economics.

As a framework for *historical* research the new institutional economics may also prove to be of substantial interest. Although abstract concepts play a considerable part in the economic theory of institutions, the literature is inevitably full of historical references and allusions. In the field of business history the work of Ekelund and Tollison on the origins of the corporation,[21] of Chandler on the development of business hierarchies,[22] and of Williamson on the evolution of business structure, is all strongly influenced by transactions cost theory. More generally, as Douglas North has written, "history is largely an incremental story of institutional evolution. . . . The study of institutions therefore should be critical for further understanding of economic history."[23]

Further, the economic approach to institutions enables us to discuss their mutual dependence, and to recognize that the economic system requires a whole range of institutions to cope with the variety of hazards which are encountered in the continuing search for cooperative gains. It is possible to show, for example, that the presence of firms owned by individual entrepreneurs may affect the behavior of managers in firms with highly dispersed shareholdings. An industry may be expected in some circumstances, therefore, to include *both* types of enterprise.[24] Arguments about whether labor-managed firms or public enterprises

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are or are not more efficient than privately owned firms or joint-stock companies are then seen to be futile. The relevant question is more difficult: In what circumstances will a particular institutional form be able to survive, given the contractual hazards which will confront it?

In spite of the promise of the economic approach to institutions, I should not finish without at least drawing attention to the considerable difficulties. The first problem concerns the testing of the theory. Are the propositions derived from the theory operational? To test a theory we have to be able to measure the entities which the theory predicts will be important. Yet many of these are extremely difficult to pin down. What precise features of the monitoring environment will determine the returns to monitoring effort? Can they be identified objectively? How do we measure the value of reputational capital, the risk aversion of transactors, or the degree of asset specificity, all of which play important roles in the theory? I am not arguing here that the task is impossible; the requirements of positive methodology are difficult to meet in any branch of economics or indeed the social sciences, but empirical work proceeds all the same. At present, however, we do seem to have a situation, not unfamiliar in economics, of an area long on concepts but short on data.

Further, the complexitiy of many contractual problems means that determinate answers to questions such as, "Is this particular institution an efficient response to the contractual problem it faces?" cannot be derived. In the area of public policy therefore the approach may be useful more as an encouragement to humility on the part of economists than as a producer of detailed policy advice.

Complexity also leads economists away from the deterministic models of conventional microeconomics towards evolutionary approaches. Economists observe the institutions that exist, rather as nineteenth-century biologists might have observed the structure of various species in the animal and plant world, and then use evolutionary processes to explain their development. In the social sciences there is a danger, however, of rationalizing all observed institutions tautologically as efficient responses to transactions costs. We observe an institution that doesn't make much sense, and then argue it *would* make sense if we suppose transactions costs to exist of a certain size. The theory is then effectively irrefutable.

Finally, the view of human nature underlying the theory may seem questionable to many people. We do observe some cooperative behavior even in *non-repeated* prisoner's dilemma games in laboratory experiments. People do leave tips in restaurants that they are unlikely ever to visit again, and pay for newspapers left unguarded for a few moments at a newsstand. But we do not expect institutions to have developed on the assumption of universal cooperation. If cooperation were the rule, it would hardly matter *how* institutions were structured. By making assumptions about individual behavior which make cooperation as difficult to achieve as possible, we throw into sharp relief the role of the institution. Institutions will economize on the input of unadulterated virtue.

A recent article by Dawes and Thaler[25] on the economist's treatment of cooperation describes how farmers in parts of New York State leave fresh

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vegetables by the roadside. A collection box is placed on the table. This institution would be difficult (though not completely impossible) to explain if some people do not abide by ethical rules even when their selfish interest is to flout them. Yet the box itself has a very narrow slit so that money can pass only one way, and it is secured fast to the table to increase the difficulty of stealing the entire container. In some respects a university shows similar characteristics. Like the unguarded collecting box its very existence testifies to the fact that unselfish motivations are important. A university depends on there being people who are prepared to give resources for general humanitarian purposes—the encouragement of scholarship, of pure research, of a certain idea of social progress. But, like the collecting box, its detailed structure betrays the fact that even people of such generous persuasions are unlikely to have accumulated their wealth by continuously playing the cooperative strategy in a prisoner's dilemma. All universities will know that shrewd and prudent benefactors will not put their money into any old receptacle.

NOTES

1. Raymond Plant, "Loose-Knit Community," *The Times* (London), October 1988.
2. Christopher Winship and Sherwin Rosen, "Sociological and Economic Approaches to the Analysis of Social Structure," in Christopher Winship and Sherwin Rosen, eds., *Organisations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure*, Supplement to the *American Journal of Sociology* 94 (Chicago: University of Chicago Press, 1988): 1–16.
3. Carl Menger, *Principles of Economics*, trans. James Dingwall and Bert F. Hoselitz (Glencoe, Ill.: The Free Press, 1950).
4. Armen Alchian, "Why Money?," *Journal of Money, Credit and Banking* 9, no. 1 (1977): 133–40.
5. Robert Sugden, *The Economics of Rights, Cooperation and Welfare* (Oxford: Basil Blackwell, 1986).
6. Mathematical biologists use the concept of the "evolutionary stable strategy" to describe a strategy which is immune to invasion by a group of mutants playing any other strategy. See John Maynard Smith, *Evolution and the Theory of Games* (Cambridge: Cambridge University Press, 1982).
7. The view of institutions as sets of contracts is particularly associated with the work of Ronald Coase and his influential paper "The Nature of the Firm," *Economica* 4 (1937): 386–405. More recently the transactions costs school has been developed by Oliver Williamson; see especially *Markets and Hierarchies: Analysis and Antitrust Implications. A Study in the Economics of International Organisation* (New York: The Free Press, Collier Macmillan, 1975), and *The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting* (New York: The Free Press, 1985).
8. See for example Ken Binmore and Partha Dasgupta, eds., *Economic Organisations as Games* (Oxford: Basil Blackwell, 1986).

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9. Attempts to model the firm as a game involving several different interest groups have recently appeared, e.g., Masahiko Aoki, *The Cooperative Game Theory of the Firm* (Oxford: Clarendon Press, 1984).
10. See Adam Smith, *The Wealth of Nations*, vol. 2, ed. Edwin Cannan (Methuen, 1925), bk. 5, ch. 1, pt. 3, art. 2, 250–1. In the sections referred to in the text Smith contrasts the situation at the University of Glasgow with that at Oxford and Cambridge.
11. Sherwin Rosen, "Some Economics of Teaching," *Journal of Labour Economics* 5, no. 4 (1987): 561–75.
12. Armen Alchian and Harold Demsetz, "Production, Information Costs and Economic Organization," *American Economic Review* 62, no. 5 (1972): 777–95.
13. Thomas Hobbes, *Leviathan*, ed. Crawford B. Macpherson (London: Pelican Classics, 1968), 223.
14. Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984.)
15. John McManus, "The Costs of Alternative Economic Organisations," *Canadian Journal of Economics* 8 (1975): 334–50. A critique of the barge fable has recently been produced by Gerald Garvey and Peter Swan in "The Fable of the Barge: Towards an Economic Theory of Authority," Australian Graduate School of Management Discussion Paper (September 1988).
16. This point is emphasized by Rosen, "Some Economics of Teaching," 568.
17. The system of appraisal used by the McKinsey Company is described in Garvey and Swan, 25–6.
18. There are, of course, tax incentives for certain institutions to adopt non-profit status. In what follows I assume that the tax system is not the only or primary reason for the survival of non-profit firms and that even without fiscal encouragement they would find a niche in the market.
19. Benjamin Klein, Robert G. Crawford, and Armen A. Alchian, "Vertical Integration, Appropriable Rents and Competitive Contracting Process," *Journal of Law and Economics* 21, no. 2 (1978): 297–326.
20. Michael Hechter, *Principles of Group Solidarity* (Berkeley: University of California Press, 1987).
21. Robert B. Ekelund and Robert D. Tollison, "Mercantilist Origins of the Corporation," *Bell Journal of Economics* 11, no. 2 (1980): 715–20.
22. Alfred D. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass.: Harvard University Press, 1977).
23. Douglas C. North, "Institutional Change and Economic History," *Journal of Institutional and Theoretical Economics* 145, no. 1 (1989): 238–45.
24. An example of this type of model is Oliver Hart, "The Market Mechanism as an Incentive Scheme," *Bell Journal of Economocs* 14, no. 2 (1983): 366–82.
25. Robyn M. Dawes and Richard H. Thaler, "Co-operation," *Journal of Economic Perspectives* 2, no. 3 (1988): 187–97.

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# CORRESPONDENCE

## *"Facts Are Stubborn Things"*

TO THE EDITOR:

As a fervent admirer of CRITICAL REVIEW, I was pleased to see Karen Shabetai's long and respectful assessment of my *Skeptical Engagements* ("Facts Are Stubborn Things," CRITICAL REVIEW 3, no. 1 [Winter 1989]). Though I am tempted to quibble with a few of her judgments, I will leave it to others to decide whether, for example, my logical and empirical reservations about psychoanalysis are vitiated by a failure to take due account of such revisionist Freudians as Melanie Klein and Jacques Lacan. Anyone familiar with those gnostic experts on the infantile unconscious would be able to guess, without bothering to consult *Skeptical Engagements*, why they strike me not as improving on Freud but as drastically exemplifying the question begging that has characterized the psychoanalytic movement as a whole.

Shabetai's extensive remarks about my treatment of Jürgen Habermas, however, do call for a reply. With nothing but her review to go on, readers would come away believing that my book "ignor[es] Habermas's own attempts to challenge poststructuralist moves toward relativism and anti-empiricism" and that I charge Habermas with having "quite abandoned the search for truth." Shabetai offers a summary of Habermas's explicit empirical commitments, thereby implying that she is correcting a misapprehension left by *Skeptical Engagements*. But such is by no means the case.

My book discusses Habermas in three contexts. First, I express agreement with Adolf Grünbaum's critique of Habermas's early defense of psychoanalysis on hermeneutic grounds—a defense whose explicit purpose was to neutralize empirically based critiques of Freudian claims. Second, I consider Habermas as an increasingly wistful and eclectic Marxist who "by now has made so many compromises with non-Marxist sociology that it is hard to say just what is Marxist about his thought." And third, in the epistemic realm, I treat his growing but still incomplete misgivings about the "liberationist approach to knowledge." Habermas, I point out, no longer qualifies as a practitioner of what I call theoreticism, or "frank recourse to unsubstantiated theory, not just as a tool of investigation but as anti-empirical knowledge in its own right." In all three contexts I recognize, as Shabetai apparently does not, that Habermas's thought has evolved almost to the point of self-reversal.



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It is heartening that Habermas has been moving toward rather than further away from respect for criteria of falsification and rational consensus. The problem he has been struggling to solve—that of articulating the grounds for a non-foundationalist empiricism—is, in my amateur opinion, the most urgent of all contemporary philosophical issues. Shabetai is mistaken, however, in treating Habermas as a sturdy practitioner of "concrete disciplinary engagement." The latter-day Habermas is no less a system builder than the author of *Knowledge and Human Interests*. He has simply become more impressed by the need to distance himself from the cognitive recklessness latent in his own early commitment to Freudo-Marxist speculation.

Unfortunately, as yet Habermas has not mustered the courage to renounce that commitment in unambiguous terms. To preserve his original self-conception as a champion of human emancipation, he prefers instead to divert attention to the politically reactionary potential of poststructuralism. In other words, he is still playing the liberationist knowledge game, but with deconstructionists now replacing capitalists as the bad guys. The modern Habermas wants it both ways: he will preach methodological circumspection not just for its own sake but as an extension of his original campaign to enhance political freedom. By now he is simply a liberal who insists on still being called a radical. Whether one is impressed by the vast paper tower he has erected for this purpose depends on one's degree of tolerance for Hegelian tortuosity and for the convoking of assorted subdisciplines that in fact have little in common.

My own view of Habermas's career thus far is that he never felt entirely comfortable with the special cognitive privileges claimed by Freud and Marx and that he has been trying almost from the outset to disentangle himself from such presumption. "Indeed," as I put it in *Skeptical Engagements*,

> we could say with hindsight that in the very act of "hermeneutically" misrepresenting Freud and Marx as not having meant their causal claims very seriously, Habermas was presaging his later withdrawal to still safer ground: from Freudian ego psychology to Piaget's developmental theory, from Marx's sociology of oppression to Talcott Parsons's bland interactionism, from the privileged knowledge of the class-conscious and the analyzed to the common-sense universalist communication of speech act theory, and from "hermeneutic" special pleading to a virtual fetishizing of the empiricism advocated by that scourge of all radicals, Sir Karl Popper. It is hardly surprising that Habermas's admirers on the intellectual left have by now been reduced to a puzzled and edgy little band.

If Habermas could somehow overcome his piety toward the first Frankfurt generation, which itself kept busy finding ways to stay Marxist without actually subscribing to Marx's failed prophecies, he wouldn't need to expend so much effort on all this shadow boxing.

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One last word. Throughout her review, Shabetai confuses the term *theory* with my coinage *theoreticism*. Thus she feels constrained to admonish me that " 'theory' is not a monolithic entity of irrationalism and relativism, but an aggregate of various practices," and she even names a few theorists I might well admire if I weren't such a stone kicker. For the record, my position is not that theories are always otiose but that they should be evaluated on their empirical rather than their emancipatory merits. When I put "theory" in quotation marks and say sarcastic things about it, I am referring not to the forming of postulates in general but to theoreticism—the cult of self-validating assertion. I am sure Shabetai joins me in regarding that cult as the most regrettable feature of the contemporary American academy.

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## *"Why Not to Read Foucault"*

TO THE EDITOR:

Six years ago Mark Poster covered himself with ridicule by greeting Foucault as someone "ultimately more Marxist than Althusser." The work containing such prize inanity, *Foucault, Marxism and History: Mode of Production versus Mode of Information*, was so bad that I chose to ignore it entirely (except for a bibliographic entry) in my own *Foucault* for the Fontana Modern Masters series, published in American by the University of California Press and now roundly attacked by Poster ("Why Not to Read Foucault," CRITICAL REVIEW 3, no. 1 [Winter 1989]).

The trouble with historians like Poster, swimming along the high tide of intellectual history as a shaky hybrid of history and philosophy, is that they tend to be philosophically jejune and epistemologically illiterate, yet insist on taking stands in contemporary thought. As long as Poster devoted his pedestrian prose to summarizing the Marxoexistentialists this was rather harmless. But as soon as he began to defend Foucault's willful colonization of history by *Kulturkritik* the whole exercise could only come to grief.

Poster saddles me with a "failure to understand the French theoretical scene since the 1960s." This is rather bizarre, for intellectually speaking I was born there, as can be easily seen in several publications starting with a book on my five-year teacher Claude Lévi-Strauss (sponsored by him) in 1977 and leading to a wide-ranging critique of both structuralism and poststructuralism, *From Prague to Paris* (1986). Naturally familiarity does not necessarily mean a proper grasp of any subject. But as Poster doesn't bother to prove his charge, I suggest these credentials might give him some pause about who can be said to have mastered "the French theoretical scene." Anyone browsing through the index of Poster's own book on

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Foucault will be impressed by the paucity of its intellectual background. Poster is a bold mind indeed; he presumptuously announces a theorization on "modes of information" without in the least commanding the latter.

Poster states that I "incorrectly define Foucault as a structuralist." However, as he himself admits, I am well aware that Foucault rejected the label. What I tried to do in my book, especially in the context of a critical discussion of Foucault's arbitrary dismissal of the history of ideas as a legitimate cognitive enterprise, was to show that the author of *The Archaeology of Knowledge* was at the very least a frequent fellow traveler of structuralism, sharing some of its key leanings, such as the blind refusal of contextual analysis.

It is a pity that Poster's bigoted attitude overlooks the point of such convergences. Instead, he decides to lecture us, in sophomoric and soporific fashion, on the structuralist critique of the subject and the poststructuralist reaction against structuralist "humanism" (156).

On the critique of the subject, Poster manages to be almost comical. He contests (*ibid.*) my assertion that the common denominator between structuralists, professed or not, is the abandonment of the subject as transparent consciousness by pontificating that both Saussure and Lévi-Strauss believed in "a founding, grounding subject," "they believed their own work was scientific and that the subject of science was not at all problematic."

One wonders which subject Poster is talking about. Is it the epistemological subject, the cognitive self, or does he mean by "subject" simply the object matter of science? His verbal infelicity seems to deck out a very faltering sense of the . . . subject. In any case, his implication that it was the poststructuralists, out of antihumanism, who broke the vantage-point of the subject comes down to a whopping blunder—for such a break was conspicuously made already by Lévi-Strauss, Lacan and Althusser, all of whom belong to classical French structuralism and not to poststructuralism.

On the other hand, *From Prague to Paris* engages an interesting question: is poststructuralism at bottom a genuine antistructuralism, or is it rather a *propter* structuralism, that is to say, a mere determinate negation of classical structuralism as seen, for example, in the literary theory of the middle Barthes? The fact that both lines of thought, structuralism and poststructuralism, hold a "mantic" view of signs, stubbornly turning away form every kind of referentiality, seems to bear out the claim of some substantial continuity. But this kind of problem has no appeal to pious epigones like Poster, who take Foucault or Derrida at face value, basking in their alleged supersessions of structural theory. Perhaps there is poststructuralism, a complex if definitely minor mode; and then there is Poster structuralism, a sloganized version for gullible academes in dire need of sectarian "Theory."

Theory, for Poster, just swamps facts. He writes as a naive upholder of the stale "theory-laden" thesis at its cheapest. Unabashedly equating all concern for historiographic substantiation with an (wholly imaginary) assertion that one can have an "unmediated access to truth," he stoops to the preposterous claim that "to

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accuse someone of having a theory that 'distorts the truth,' as Merquior does Foucault, is to say that one does not have much liking for that particular theory." Yet this amazingly crude relativism does not prevent Poster from flatly saying that "in my judgment poststructuralists . . . have shown that [the] discourses . . . of the humanities and social sciences in general . . . have become . . . complicit with the forms of domination in bureaucratic and capitalist societies." As for poor me, he doesn't balk to "imagine" (sic) that I "identify with a certain combination of liberal, technicist and bureaucratic positions" (159).

I am deeply grateful to Poster's lurid imagination, but unfortunately the truth is elsewhere. To begin with, the poststructuralists have by no means "shown" the association between cognitive disciplines and repressive practices in modern society. They have certainly, and endlessly, *assumed* such a link—but the proper demonstration is still eagerly awaited. Like most votaries of poststructuralist *Kulturkritik*, Poster evinces a pathetic inability to realize how much gurus like Foucault, *tout en disant le contraire*, cater to humanist ideology by rehashing a ritual, unwarranted anathema against modernity.

Besides, calling conceptual or empirical queries levelled at Foucault's historico-philosophical frescoes "technocratic" is no insult to liberalism or rationalism. Rather, it is an insult to the critical intellect itself. Significantly, as he lists eight books on Foucault published in the 80s, Poster forgets to tell us that not one of them faces the many criticisms made by expert historians of the dramatic thesis presented in works like *Madness and Civilization*, *The Order of Things* or *Discipline and Punish*.

My book takes into account at least a score of such expert criticisms, often rescuing them from obscure scientific journals. And I must emphasize that most such objections do not stem from any disciplinary narrow-mindedness, but from a lucid scholarly resistance to what Pierre Vilar rightly dubbed "Foucault's authoritarian hypotheses" (cf. his essay in J. Le Goff and P. Nora, *Faire de l'Histoire*, vol. 1).

I tried to listen to such criticisms while avoiding misrepresenting Foucault's own claims. That is why Kenneth Minogue, in his 1987 review of *Foucault* in *Government and Opposition*, thought fit to say that I "meticulously explained the many kinds of background needed to see what Foucault is up to." Indeed I should like to challenge Poster, or any other Foucaldian, to fault my summaries of any of Foucault's main works. In light of their failure to engage their critics, one senses the reason for the relativist rigmarole: its purpose is to preempt, a priori, by a theoretical sleight of hand, the validity of historiographic complaints against a man who turned philosophy into a genre of *histoire à thèse* much more accusatory than argumentative, deeply rhetorical but hardly analytic.

No wonder the fallacies of his hollow libertarianism did not pass philosophical muster. Charles Taylor, for one, was quick to realize that Foucault's "sealed, monolithic truth-regimes" offer "a picture which is as far from reality as the blandest Whig perspective of smoothly broadening freedom" (*Philosophy and the Human Sciences*, 182). So much for "carceral society" and its disciplinary nightmare.

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Like Foucault's historian critics, Taylor points out the utterly irrational lack of agency in Foucault's grand patterns of power/knowledge, sensibly noting that though not all patterns issue from conscious action, all patterns "have to be made intelligible in relation to conscious action" (*ibid.*, 171). Not such a bad reminder, in these days of analytic Marxism and other healthy quests for microfoundations in historical explanation.

I end my book presenting Foucault as a leading name in a new species of anarchism: *nihilistic* libertarianism, always denouncing huge evils without ever pointing to alternatives. Neither this picture of Foucault's ideological outlook nor a single one of the criticisms of his historical interpretations have until now been met by my incensed Foucaldian critics. In the end, however, their cultic attitude betrays their idol. For, if you don't mind my saying so, there's much more of real interest in a critical assessment like mine—which balances many a stricture against a frank recognition of spots of real heuristic value in Foucault (notably in *Les Mots et les Choses*, a rich study about which Poster, mesmerized, as are most Foucaldians, by the master's post-1968 power theory, has nothing to say), and which even views his intellectual evolution, especially in the later volumes of the *History of Sexuality*, in quite positive terms—than in the tiresome *doxification* of Foucault's tenets or obiter dicta, undertaken by disciples entrenched in an ostrich-like avoidance of criticism under the silly pretext of fighting the ghosts of "positivism" or "empiricism."

At any rate, many thanks to Mark Poster and his ilk: for the more the Foucaldians attack my book, the better it prospers. It now counts, in five years, nine editions in eight languages. Still, as a brief introduction, it is not telling anyone "why not to read Foucault." It is just inviting more than a few people to do what Poster apparently can't: read him with an alert, critical mind.

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## *"Toward Constructive Deconstruction"*

TO THE EDITOR:

I am grateful for Gerald Graff's frankness ("Toward Constructive Deconstruction: Reply to Champion," *critical review* 3, no. 1 [Winter 1989]), also for his brevity and clarity. These qualities are rare in the literature of deconstruction.

He suggests that deconstruction is interesting and important because it pays attention to exclusions or systematic repressions from texts. He also ascribes great value to the struggle to bring political, psychological, institutional and economic considerations into critical practice.

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As for significant exclusions, his critique does not mention the main point in my article. This is the proposition that Bartley and Popper furnish tools to handle one of the central problems posed by the deconstructionists. This concerns the bankruptcy of all forms of epistemological authority (and all forms of rationality which depend on foundations of justified belief) when confronted by the dilemma of the infinite regress versus dogmatism. The solution I offered to this dilemma is a combination of Popper's non-authoritarian theory of knowledge and Bartley's theory of metacontexts and comprehensively critical rationalism.

Due to the logical failure of foundationalist assumptions, the deconstructionsts have been able to conduct a reign of terror against anyone who claims to have some kind of authoritative or privileged vantage point. The novelty and shock value of this approach should diminish as the work of Popper and Bartley becomes better known and people cease trying to offer anything stronger than critical preferences.

As for broadening the agenda of literary studies, by bringing non-literary criteria to bear upon texts, the point of New Criticism was to rescue literature from just such ideological birds of prey. Indeed, New Critics can still reasonably point out that the more apartheid, AIDS and sexual discrimination intrude into literary studies, the less one is studying literature in favor of history, morals, public health and politics.

It is easy to demonstrate that texts contain political, social, sexual, and political messages, but it does not follow from this that the particular stances of the ideological critics are sustainable. This is where the "perspectivism" of Wellek and Warren may help. They define this as "a process of getting to know the object from different points of view which may be defined and criticized in their turn." This means that the moral, political and factual presuppositions of the radical critics should be laid on the table for critical appraisal in their turn. Let the feminists and anti-racists ask themselves whether affirmative action is not itself a form of discrimination that is morally on all fours with discrimination in favor of white males. Let the radical opponents of apartheid ask whether a violent revolution to establish a Marxist state would improve the lot of the black South Africans. Do the critics of democracy prefer tyranny? Do the critics of capitalism prefer the grinding poverty of socialism?

By all means break down the artificial barriers between subjects and disciplines. Challenge dogmatic assumptions and release the creative power of imaginative criticism. Put an end to the courses which produce overspecialized pedants. These things are all desirable but I am not convinced that the deconstructionists are helping very much to achieve them.

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GERALD GRAFF *replies:*

The point of my response was that Mr. Champion ought not to have written about deconstruction because he doesn't know what the thing is. As if to prove my point, he now writes again without the benefit of knowledge of the subject, and evidently no interest in getting any. It's impossible to have a serious debate with him for this reason.

His essay and letter are of the type that is designed to flatter readers who also don't know anything about deconstruction except that they dislike it and who can feel, after reading him, that they don't have to read it.

I didn't mention Champion's point about Popper (or most of his other points, for that matter) because it has no bearing on the issues that interest Derrida and de Man. Here as on other issues, Champion is swinging his leaded bat in an empty ballpark.

Champion's remarks about literature's being "intruded on" by politics, sex, etc. exhibit his failure to have grasped the most elementary points of the people he would like to disagree with. A lot of what deconstruction is about is the way the phrase "intruded on" operates in his sentence.

As for politics, Champion's crass statements about affirmative action and apartheid indict him more effectively than anything I could say.

## *"Hayek and the Interpretive Turn"*

TO THE EDITOR:

I have been interpreting G.B. Madison's "Hayek and the Interpretive Turn" (*critical review* 3, no. 2 [Spring 1989]) as hard as I can, and what I have interpreted so far is that Madison thinks Hayek took a turn for the worse when he turned toward Popper.

The influence of Hayek and Popper on each other is one of the most fascinating stories in twentieth-century intellectual history. The forthcoming volume of their correspondence, edited by the late W. W. Bartley III, to be included in the collected works of Hayek, will surely help illuminate their relationship.

In the meantime, I have to reject Madison's view of Popper's influence on Hayek out-of-hand. Madison believes that Popper is some species of positivist ("watered down," but still a positivist) and that Popper approves of a branch of the scientism that Hayek attacks (Madison calls this branch "economism," which he says Popper likes because it is a form of economics which "approximates the 'objectivity' and the mathematical exactitude of the 'hard' sciences").

Popper isn't a positivist and is generally regarded as one of the chief critics of the Vienna Circle positivists. Popper discusses the notion that he is a positivist in, among other places, Schilpp's *The Philosophy of Karl Popper* (1974). He calls this notion The Popper Legend (pp. 963–74) and his comments on it are quite interesting.

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To claim, as Madison does, that Popper advocates scientism in economics is really quite breathtaking. One way of putting the counterclaim is to say that Popper doesn't even advocate scientism in the study of the natural sciences. In *The Poverty of Historicism,* Popper makes this point by amending Hayek's formulation about scientism—that it is an attempt to ape the methods of the natural sciences in our study of the humane sciences—with the Popperian twist that scientism is an attempt to ape *what some people believe are* the methods of the natural sciences in our study of the humane sciences.

Madison's comments about the natural sciences, in fact, seem to be pre-Popperian. For instance, he describes the approach of the natural sciences as "purely explanatory, causalistic, physicalistic" and talks about the material of the natural sciences as "objective data of a similar kind which we spontaneously recognize as similar by their common physical attributes." He indicates that genetics and cybernetics get their theories from "subhuman reductionist models." Popper said that *all* our observations, data and facts are theory-impregnated. And although Madison hasn't learned this Popperian lesson, Hayek did, which is why he came to alter his views about the unity of the sciences.

Hayek is a theoretician of the human sciences. What that means for Hayek is that he is trying to explain and predict various facets of human affairs. Madison says that hermeneutics says we can't do that, and he says that the pre-Popper Hayek had many hermeneutic insights "*avant la lettre.*" What I say is that Madison is a pre-Popperian *aprés la lettre,* that Hayek's theories were always attempts to explain and predict, and that Hayek eventually modified his views about the logic of the growth of knowledge in the natural sciences. This strengthened his hand in the human sciences by allowing him to understand that we don't have to fully justify some theories to know that other theories are wrong.

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G.B. MADISON *replies:*

I am pleased to learn that Ms. Graves has been interpreting my "Hayek and the Interpretive Turn" as hard as she can, and I am happy to note that she has succeeded in understanding me correctly—at least in part. Although I didn't say it in so many words, I do rather feel that, as Graves says, "Hayek took a turn for the worse when he turned toward Popper." Fortunately, I don't think that this turn was, when all is said and done, all that serious. Hayek continued in the main to pursue his own line of thought, and his work should be assessed on its own merits.

I do agree, though, that the influence of Hayek and Popper on each other is a fascinating story in twentieth-century intellectual history (for reasons no doubt different from those Graves would likely adduce). This was not, however, a story I was concerned to narrate in my article, which was concerned with Hayek's views

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as articulated in *The Counter-Revolution of Science,* a text which antedates most of the story in question. In his subsequent references to Popper, Hayek does alter his position somewhat. He allows that some forms of scientism are attempts "to ape *what some people believe are* the methods of the natural sciences. . . ." In other words, Popper was influential in leading Hayek to alter to a degree his understanding of the natural sciences. This development complicates matters, but it falls outside the bounds I set myself in my article (see my explicit remark to this effect in note 12).

There can be no doubt, however, that what in *The Counter-Revolution of Science* Hayek calls "scientism" is a label which adequately describes Popper's own life-long position, if by "scientism" one understands an attempt ("the unity of the sciences") to model the social sciences after the natural sciences (however conceived). This is something that a careful scholar like Robert Nadeau notes in his study which I cited in note 12 ("Popper, Hayek et la question du scientisme"); in this text Nadeau observes: "Popper est 'scientiste' au sens que Hayek donne à ce terme" (p. 60). For more detail on the subject I refer Graves to Nadeau's piece.

Graves criticizes me for talking "about the material of the natural sciences as 'objective data of a similar kind which we spontaneously recognize as similar by their common physical attributes.' " I will not respond to this criticism, since if Graves had tried even harder to interpret my article she would have noted that this was a remark of Hayek's, not mine. In regard to another criticism, I do not, contrary to what Graves intimates, believe that "genetics and cybernetics get their theories from 'subhuman reductionist models.' " What I believe is something else altogether, viz., that all attempts to understand *human* reality with models borrowed from genetics or cybernetics (e.g., sociobiology or artificial intelligence) are ones which operate with subhuman reductionist models. This is precisely the sort of thing Hayek meant by "scientism." I am opposed to it for the same reasons that Hayek was, ones which I attempted to lay out in my article.

Hayek is most definitely, as Graves points out, a theoretician of the human sciences (unlike Popper, who was mainly a philosopher of the natural sciences). What that means, however, is that Hayek is *not* trying to "explain and predict" various facets of human affairs—if the terms "explanation" and "prediction" are understood in the way they are usually understood in the experimental natural sciences (what Hayek called the "physicalistic" sense of the terms). In contrast for instance to mainstream neoclassical economics, Hayek never thought that economics should or even could be a kind of Newtonian mechanics of human affairs. Accordingly, as Hayek argued in his Nobel Prize lecture, "The Pretense of Knowledge" (written some thirty years after his scientism essay), the kind of "predictions" appropriate to the human sciences are of a special sort (he called them "mere pattern predictions"). I refer Graves to this piece as well (she will no doubt be delighted to find in it some flattering remarks directed by Hayek to Popper).

I suspect that Graves's strong hostility to my article is due to the criticisms I address in passing to Popper. If so, I'm afraid there's not much I can say to assuage her resentment; she has her opinion and I have mine, and we'll just have to live

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with our differences. I certainly will grant her that Popper was one of the chief critics of the positivists of the Vienna Circle. Does that suffice, though, to make of him something more than a revisionist, watered-down positivist? I suppose it's all in how you define your terms. If one of the more distinctive traits of *post*positivist philosophy of science (cf. Kuhn, Hanson, Hesse, etc.) is its rejection of the earlier (methodologically) *prescriptivist* approaches to science characteristic of positivism, then Popper, with his prescriptivist emphasis on "falsifiability," is no more of a postpositivist than were his positivist predecessors.

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*Andrzej Walicki*

# MIROSLAW DZIELSKI
1941–1989

Miroslaw Dzielski, associate professor of philosophy at the Jagiellonian University, founder and president of the Industrial Society of Cracow and the chief theorist of Hayekian liberalism in Poland, has been introduced to the readers of CRITICAL REVIEW in my article "Liberalism in Poland" (vol. 2, no. 1 [Winter 1988]). Sadly, he succumbed to cancer at the hospital of the National Institutes of Health in Bethesda, Maryland, on October 15, 1989. His body has been buried in an old cemetery in Cracow.

Dzielski's funeral ceremony was attended by many hundreds of people from all parts of Poland. The main funeral oration was delivered by his close friend, Tadeusz Syryjczyk—the vice-president of the Industrial Society, who was at that time (and still is) the Minister of Industry in Tadeusz Mazowiecki's government. The feeling of loss caused by Dzielski's death is enormous in Poland. Many people feel that an edition of his collected works is urgently needed and that one of the streets in Cracow should bear his name.

I am confident that these projects will materialize. But the most telling monument to Dzielski's life is the Industrial Society of Cracow—a unique institution devoted to promoting the market economy and entrepreneurial ethos in Poland. It was conceived as an institution educating the nation in the spirit of liberal values and thus restoring Poland's membership in Western civilization. It runs a school of business which teaches entrepreneurs and prospective entrepreneurs how to conduct business in Poland and how to treat this activity as a moral vocation; it helps local authorities in solving various practical problems; last but not least, it exercises a strong influence on the general intellectual climate in Poland and can justly be credited with paving the way for the current market-restoring reform.



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Dzielski came to the United States in January 1989 to seek American help for the cause of democratic capitalism in Poland. He meant by this not further loans for the government but encouraging investments in the private sector of the Polish economy with the assistance of a special bank which he wanted to create for this purpose. The unexpected discovery of his mortal illness prevented him from returning to Poland before the June elections which radically changed the hitherto existing balance of power. Thus, he had to observe these changes from outside. To talk with him was to sense immediately his unique ability to combine severe stoicism in personal matters with a passionate commitment to his cause. He deliberately avoided talking about himself; when I pressed him, he tried to reassure me that, as befitted a believing Christian, he was perfectly reconciled with his fate, "ready to depart," and happy to have had a meaningful life. Instead, he was always eager to talk about Poland. In fact, when his health allowed, he always accepted invitations to speak publicly. In this way he continued his mission to the very end of his days.

The elections of June 1989 were perceived by him as a sweeping victory of the non-Communist left, that is to say, as a setback to the liberal right, as represented by himself. Indeed, all independent liberal candidates (except one, a private entrepreneur who had financed his own electoral campaign for the Senate) were swept away by candidates backed by Solidarity. Soon afterwards, however, it turned out that despite electoral defeat liberalism proved victorious as an intellectual force and as a program for radical economic change. The new, Solidarity-led government gave the key economic ministries to convinced liberals (including Dzielski's disciple, Syryjczyk) and embarked on a very radical plan of economic reform. In this manner Dzielski's liberalism entered the third stage in its changing relationship to Solidarity. The first stage (before the proclamation of Martial Law in December 1981) was its existence *within* Solidarity, with Dzielski as one of Solidarity's experts, as well as its press spokesman in the Cracow region. The second (described in my article, mentioned above) was its crystallization as a separate force, concentrating on constructive "organic work," aiming to promote a deep change in national consciousness, and somewhat skeptical about *direct* political struggle. The third stage began with the victory of a pro-liberal, market-oriented tendency within Solidarity. This deep transformation of Solidarity – from a populist, egalitarian movement of the masses to a conscious political force, determined to direct Poland towards democratic capitalism even at the cost of drastic belt-tightening, an increase of inequality and the appearance of previously unknown unemployment – can be seen, to a certain extent, as the most important success of Polish liberalism. And Polish liberalism is a movement in which Miroslaw Dzielski will always occupy a well-deserved place of honor.

Of course, many dangers are still threatening Poland. One of them is a misplaced radicalism, taking the form of a "constructivistic anti-Communism" (Dzielski's expression), and very often invoking rather primitive populist emotions. Such a pseudo-radicalism escapes the difficult tasks of a constructive systemic change by indulging instead in a campaign against all members of the

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former nomenklatura, which creates unnecessary political tensions and prevents a satisfactory adaptation of the old elites to the new conditions. Dzielski, who struggled against Communism as a system, but not against Communists (let alone ex-Communists) as individuals, was deeply concerned with this problem. He was, in my view, the best simultaneous embodiment of two seemingly incompatible tendencies: the tendency toward radical change and the tendency toward national reconciliation. That is why his premature death is a truly irreplaceable loss for Poland.

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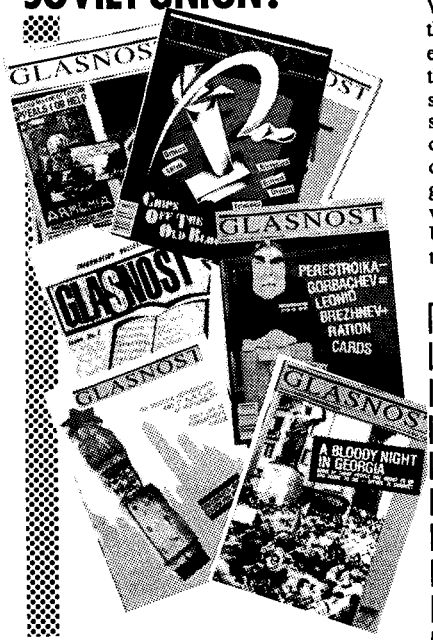


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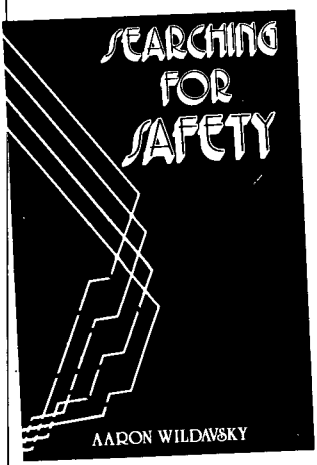


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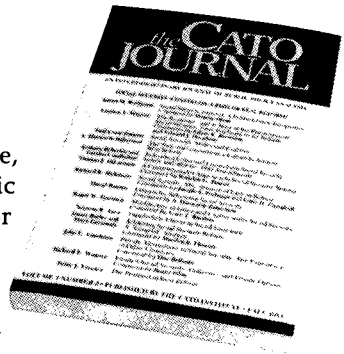


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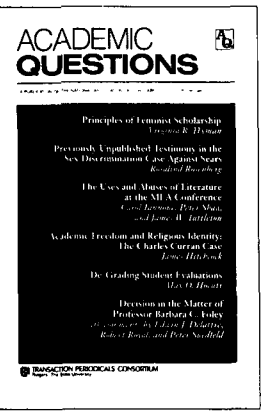
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